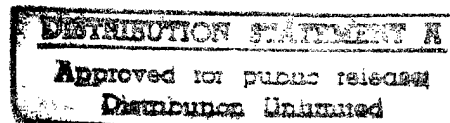


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13 December 1982



# East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2348

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NEW CSSR TRADE 'OFFENSIVE' OUTLINED

Prague ZAHNANICNI OBCHOD in Czech No 9, 1982 pp 6-7

[Article by Jana Sereghyova: "The Cultivation of Foreign Markets in Retrospect: New Approaches to the Development of Our Export Offensive"]

[Text] Among the fundamental tasks outlined by the 16th CPCZ Congress in the area of our foreign economic relations is the further development of our foreign trade with both socialist and nonsocialist states, and a radical increase in the efficiency of our foreign-trade relations in conjunction with an increase in their contributions to the integration of our economy into the international division of labor.

In this regard, the need has also been emphasized here for an improvement in the degree to which our economic organizations are informed concerned the developing situation on world markets, and for an acceleration of the reaction of our export production to these changes, as well as the need for improving both the structure of exports and the technical sophistication and quality of our exported products as well as the quality of the commercial work of foreign-trade organizations [OZO].

All this requires that we approach the intensification of our export offensive not only along well-worn paths, but that production and foreign-trade employees more frequently elect to follow new, nontraditional approaches which better correspond to the demanding conditions which we will continue to confront not only in the markets of the capitalist states, but also in those of the socialist states.

In an attempt to make our readers better informed concerning these nontraditional, highly effective approaches, as well as to lend support to the effective fulfillment of the above tasks outlined for our foreign-trade sector, we plan to publish two groups of articles in this magazine over the next 2 years.

The first group will concern itself with cultivating foreign markets, covering primarily the following problem areas:

- researching needs and marketing possibilities in CEMA member countries;
- sources of research information on markets in industrially developed capitalist countries and techniques for evaluating it;

- the importance of advertising for developing economic relations within the CEMA community;
- nontraditional advertising techniques used on capitalist markets;
- specifics on market cultivation in developing countries.

The following article constitutes an introduction to these issues.

The second group of articles will be concerned with shifts in the material content of our export substrate and with those characteristics of our exportable goods which represent the best preconditions for the desired growth in the range and profitability of our foreign-trade relations, given the changing and highly demanding conditions with which we will continue have to come to grips in our trade with both capitalist and socialist countries.

During the first postwar decade, the old slogan, "every good can be sold at a certain price," was still fully applicable. Commercial work, therefore, centered on finding new exportable goods and locating foreign customers for them, as well as trade negotiations whose objective was to obtain the best possible price. Back in the fifties, however, and concurrent with the increased interest in building permanent trade ties which would provide a favorable field for the planned development of our export production, a recognition grew that only a very few goods sell themselves; that the stabilization of marketing possibilities for our goods depends to no small extent on how advantageously they are presented on foreign markets; that much depends on the cultivation of foreign markets in a qualitative sense.

The fundamental component of cultivating foreign markets, namely market research, took place at the beginning mainly as an adjunct to the usual commercial activities of foreign-trade enterprise employees. Every trade contact in the area they were working would monitor price changes for the types of goods being exported, the preferences of his potential customers, as well as any other factors influencing their purchasing possibilities and interest in being customers for our products. The contacts would also follow the activities of other suppliers of the same type of products, both in terms of the extent and makeup of their delivery possibilities as well as the various measures they might take to strengthen their position in the market in question, ranging from changes in the properties of their products, to modifications in their delivery or service conditions. They would also monitor political influences on trade (and also conjunctural influences on capitalist markets) which would influence the overall development of the market situation of the territory in question. It soon became evident, however, that the impact of some of the above factors and influences crossed specific market boundaries, if only because they applied to all foreign trade in a specific type of good, or because they affected marketing possibilities for a product throughout entire regions. The monitoring especially of these general influences was undertaken in the first years of existence of our foreign-trade enterprises by independent divisions under their supervision.

At first, these divisions focused their attention primarily on conditions affecting the development of price levels and the growth of marketing

possibilities for specific products included in our mix of products suitable for export. Over time, however, it became clear that it was essential to devote increased attention to changes in the technicoeconomic parameters of products offered by other suppliers of specific types of goods, as well as changes in the needs and requirements of their consumers or users. From a strictly market orientation, then, the attention of the above divisions was shifted to include technological and technical considerations as well. Such considerations have assumed much greater significance for a correct estimate of the marketing possibilities for our export production (and thereby also for a realistic compilation of a foreign-trade plan), as well as for the advantageous selection of model variants of goods recently placed in the export category. These will influence not only the further development of our positions in specific export markets, but also the efficiency of the pertinent sectors of our export production.

The work of the above divisions has thus increased in national economic importance at the same time that the need has increased for closer cooperation between these divisions and the research components of the production sphere (sectors, AHJ [economic production units] and export enterprises). This is essential so that these sectors can regularly draw on the fund of information collected by the above research divisions of foreign-trade enterprises. It is also needed, however, to assist the employees of these divisions in mastering the exceptionally difficult task with which they have been confronted recently not only of mastering the smallest details of the technical and technological workings of the thousands of products in the inventory of the appropriate foreign-trade enterprise, but also of obtaining a competent overview of the existing alternative production possibilities of specific factories and of the modifications to their export product mix that can be carried out on their existing stock of machinery, or with only minor supplements to it.

It has been shown that in those cases where this cooperation has evolved in a workable manner the firm foundations had already been laid down in the sixties for the high-quality cultivation of foreign markets, as well as for the use of this information both in the optimization of the specific makeup of our basic export product mix and for the expansion of our foreign marketing possibilities.

The advertising of our products on foreign markets, which is a no less important aspect of their comprehensive cultivation, has undergone a similar evolution. In the initial years after the founding of foreign-trade enterprises this activity was taken care of mainly by their own advertising departments, with only exhibitions and trade fairs handled by a sectorially administered independent economic organization. It soon became clear, however, that it would also be more efficient to transfer other aspects of advertising activities to specialized organizations having at their disposal broad-based teams of creative artists and advertising specialists. In view of their huge economic potential, these specialized organizations succeeded both in carrying out specific projects more readily and with higher quality and in obtaining as a rule, more favorable conditions from foreign partners.

The advertising plan related to specific types of goods, however, has been and continues to be formulated at the appropriate foreign-trade enterprise where the form, dispersion and rhythm of each advertising project is determined in such a way as to best assist in the assurance of the marketing strategy and fulfillment of plan tasks.

During the sixties, when there was a worldwide increase in the importance of nontraditional forms of advertising, there also grew in the sector responsible for cultivating foreign markets the need for active export-product participation in the carrying out of specific advertising intentions and projects. This is primarily a question of projects which require direct contact between the product being offered and its potential customer. This need is the more important because ready postsale service for goods which we export as well as the ready reaction on our part to the various suggestions of foreign customers are today among our most effective advertising resources.

Such an understanding of advertising activity has not yet fully sunk into the consciousness of our production sphere. This does not, however, alter the reality that it conditions in a significant way the effectiveness of this and of all other components of the cultivation of foreign markets, which constitutes the commercial preparation for trading operations.

Commercial preparation for trading operations once formed the center of commercial work. (This is clearly also the reason that these two concepts are often confused, or used interchangeably today). Along with the increased trade turnover generated by individual commercial employees and the magnitude of the administrative work involved in the implementation of trade operations, the amount of time that could be devoted to these kinds of preparations declined. In part, this shift was consistent with the size of the above-described inclusion of certain activities connected with the comprehensive cultivation of foreign markets into specialized divisions. However, in every instance of this shift account was not taken of the fact that over the entire preceding decade the complexity of the market situation had increased, both in terms of international trade in raw materials and in industrial products. At the same time, conditions in specific market areas are differentiating to an ever greater extent and changing rapidly. This requires that commercial employees attentively monitor all the factors which will make them able to predict the evolution of the marketing possibilities for our products in a given territory and to support these marketing possibilities in all possible ways. This involves not only the identification of marketing obstacles, but also overcoming them in time and the fullest possible exploitation of the appearance of favorable marketing opportunities.

The above, however, is conditioned on the fulfillment of two preconditions: --an expansion in the amount of time that trade contacts can devote to commercial preparation, i.e., to those aspects of foreign-market cultivation that are not and cannot be covered by special divisions, but which must be handled individually and in direct contact with a specific market area;



--secondly, the creation of a flexible operating area in our export production which would make it possible to react in a timely manner to new realities.

It has turned out that both in the area of the commercial preparation for trading operations and in the other sectors of foreign-market cultivation, substantial underutilized capacity continues to persist, making it possible not only to expand our trade turnover, but also to increase the economic efficiency of our foreign-trade relations. This is capacity that may be mobilized provided that we begin:

--to use new research techniques for foreign markets which have been adapted to the changed conditions which have developed here in the seventies, and which are based, among other things, on newly available data processing capabilities made accessible to us through the automatic computer;

--to broaden the application of new forms of advertising which have become standard in all capitalist markets over the past 10 years and which are now becoming even more effective in contact with partners from the socialist countries;

--to strengthen the relative importance of commercial preparation within the framework of trade operations as well as to deepen the cooperation between commercial employees and export production, which will make it possible for them to increase both the quality and the flexibility of the individual "steps" undertaken in the cultivation of foreign markets while at the same time making maximum use of their positive results.

The existence of the above-mentioned underutilized capacity may be deduced from current experiences which attest to the fact that the cultivation of markets carried out both by specialized divisions and commercial employees of foreign-trade enterprises has made a substantial contribution to the huge expansion of Czechoslovak foreign trade, which in the past 30 years has reached more than 16 times its initial level. It is impossible, however, not to notice that these successes have often led to an overestimation of the potential effects of foreign-market cultivation and especially of commercial work. Over the years, the old slogan mentioned early in this article has been modified. It has come to read, "All goods are saleable abroad, if the commercial work is good." This is clearly also the reason why the withering of demand for some of our industrial products which we have been witnessing recently in both capitalist and socialist markets has often been attributed solely to inadequate commercial work.

At the same time, consideration is often not given to the fact that in the past 10 years there have been fundamental changes in the world economy, as a result of which there are many goods in both of the above market groups whose marketing cannot be supported either by price concessions or by the best possible commercial work. This is primarily true of all machinery and equipment: 1) whose energy consumption exceeds the standards considered normal currently; 2) the operational costs of which are sufficiently higher than the operational costs of competing products so that the sum of the differences results, over the depreciation schedule of the product, in a significant percentage of the purchase price. This is also true, by the

way, of machinery and equipment displaying a high innovational level, but showing an increased tendency to break down (regardless of whether this is caused by an insignificantly small part), or which lacks ready service. This kind of product is not saleable at any price.

A similar situation applies to industrial materials (metallurgical and chemical) which display faults that unfavorably influence the quality of the products made from them. This also includes the relatively wide group of products designated for consumption whose marketing possibilities have been reduce during production--it is clear now that this is a permanent--as a result of structural changes that are taking place in the production processes of individual countries because of price increases in, or limited availability of, certain kinds of mineral products (raw materials and fuel). As a result of these changes, it is possible to notice a retreat from the construction of superheavy facilities and operations on a gigantic scale, meaning that equipment designed for such operations is much more difficult to sell, no matter how high its quality. The same is true of the shift to the use of microminiaturized components or of chemicals with prompt or multiplied effectiveness, etc., which act to an ever greater extent as an obstacle to the sale of traditional variants of the pertinent type of goods.

In consumer goods, unsaleable items appear more rarely. However, even here items appear for which an inadequate degree of innovation or the substitution for quality components of more readily available, but lesser quality components has led to a substantial limitation of the marketing possibilities for several products or product variants. Overcoming such limitations is more and more difficult despite the largest commercial efforts.

If we attribute such marketing failures to inadequate work in the foreign-market cultivation sector, we are holding back the discovery of the true causes, and thereby also the undertaking of corrective measures which may well have critical importance for the future success of our export efforts. This is also the reason that we consider it essential to call attention not only to the potential contributions that can come from the high-quality cultivation of foreign markets, but also to the limits of its effectiveness. It is necessary to base one's actions on the fact that only under certain conditions can good commercial work yield the desired outcomes. The next article in this series will be devoted to the elucidation of these conditions.

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LER INTERVIEWED ON SET OF MEASURES PROBLEMS

Bratislava PRAVDA in Slovak 17 Oct 82 p 3

[Interview with Leopold Ler, CSSR minister of finance, by Frantisek Zdobina:  
"To Implement the Set of Measures More Thoroughly"; date and place not given]

[Text] More than 18 months have passed since the decision by the Presidium of the CPCZ Central Committee and the Government of the CSSR on the Set of Measures for Improving the Planned Management System of National Economy became valid. That period makes it possible to assess the effect of the Set of Measures on improving the quality of planning, consolidating the khozrashchet system, accelerating scientific-technical progress and increasing the efficiency of foreign economic relations, upgrading the standard of managing work and expanding the working people's participation in management. The Presidium of the CPCZ Central Committee and the CSSR Government recently reviewed the efficiency of the Set of Measures from these points of view. Further reviews are taking place on the level of both national republics, krajs, ministries and economic production units [JVH].

The editorial board of PRAVDA took advantage of this special occasion and requested an interview with the minister of finance of the CSSR and chairman of the Government Council for Issues of Planned Management of National Economy, Leopold Ler.

[Question] Every novelty is welcome only until the moment when it begins affecting the accustomed way of life. I think that it was the same with the Set of Measures. All the people who, figuratively speaking, had been heard, welcomed the Set of Measures at its inception, but as soon as they were expected to work following its regulations, the enthusiasm of some of the managers cooled and in many instances the question raised in their ranks was "whether it was really unavoidable to change the method of management, since, after all, high dynamism of development and many successful accomplishments had been achieved in the past."

[Answer] There's truth in the saying that a habit is like a shirt of iron. To this proverb I would add that when it concerns management, it is a shirt that is very tight. We cannot, however, follow customs to the detriment of objectively occurring processes.

The entry into the 1980's is an entry into totally new conditions of development, which call for a new objective concept and strategy of economic policies and radical qualitative changes in the system of management. A radical change of the factors of economic growth demands that the methods of implementation of economic policies, the practice of planning and economic thinking itself, be thoroughly revised. It is, therefore, an essential change of the system of management which may occur naturally at a certain time. It is a process with an accent on general intensification of the national economy which must be goal-oriented, directed and constantly adapted to changing conditions. The Set of Measures, which stands at the beginning of this process, confirms that, despite many problems, its principles are beginning to influence positively the qualitative aspects of management, especially in areas favored at present by our economic policy, mainly savings in material consumption.

However, the Set of Measures makes substantially higher demands on the standard of work of managers on all levels than the previous system of management. It was by no accident that Comrade Strougal, the premier of the CSSR Government, stressed at the congress of the SZM [Union of Socialist Youth] in the CSR that the program of intensification is a program for achievers.

Thus, under the changed domestic and foreign conditions, there is a difference between past and future development. Here the yardstick for the changes and, at the same time, the main resource for the further development of our economy will be, first of all, our ability to intensify our domestic process of valorization and, secondly, how and with what result we shall find a place for our products in foreign trade. Therefore, at this time we must do all we can to teach primarily all managers to look at the situation with new eyes.

[Question] I should like to mention two extreme views. The proponents of the one expected the Set of Measures to cure all our troubles, while the proponents of the other are disappointed with the Set of Measures because they expected far more from it.

[Answer] First of all, I should like to emphasize that there are no miracles even in economy; all our positive achievements in the past and in the future stem from hard, conscientious work. By the same token, changes cannot be made in a single day. The national economy is a complex and sensitive organism. Every change in it and in its management must be well thought through, tested and gradually introduced. For that reason, we also planned the Set of Measures on the basis of experiments which we shall continue in the future.

Our party organs stressed, even during the process of approving the Set of Measures, that this was a first step to improve planned management, that we must focus our efforts continuously so that the system of management and the whole economic mechanism actively help resolve objective problems facing our economy. The principles of the Set of Measures cannot run the management all by themselves, but in the manager's hands they serve as a device that should help him in steering his managing work toward higher efficiency, quality, more profitability of production and higher efficiency of foreign trade.

Its results in the past period have already shown several outstanding examples of good management and energetic approaches to better methods of management, where managers had not only mastered the new regulations but translated them into reality with expert skill and moral and political responsibility. Naturally, this was also reflected in the accomplishments of their organizations. But, on the other hand, there are examples of serious lag in their implementation, intensification and improvement of the adopted measures. Here we must step up our efforts to increase the demands and economic pressures of the principles of management, so that this undesirable vacillation in managing work disappear as soon as possible. The CPCZ Central Committee has often sharply criticized such attitudes and furthermore, in many instances our party organs drew conclusions from them for the cadres.

[Question] Comrade minister, could you enumerate the main positive aspects of the first year of the implementation of the Set of Measures?

[Answer] Despite numerous problems, the Set of Measures has positively affected the qualitative aspects of our economy in 1981, particularly in our industry. The supporting aspects of the Set of Measures promote lower material requirements in production and demand better utilization of fuels, energy and raw materials, more efficient exploitation of capital assets and work forces, and better quality of production.

I shall mention several examples. In 1981 material costs were reduced 1.1 percent, which is higher than the level achieved in 1976-1980, with only 0.6 percent annual reduction. The fulfillment of the plan of adjusted value added (100.9 percent) was also successful and the achieved rate of its growth was 105.1 percent as compared with 1980 at a low rate of growth of output (101.2 percent). A very effective device was the linkage of the basic component of wages payable in adjusted value added and incentive wage factors with the profitability of operating assets or, as the case may be, profits or costs. This linkage has both a stimulating and penalizing effect because many branches and enterprises were short on wages payable if adjusted value added and profitability of operating funds had not been met; then the reduction of the incentive wage factor was very appreciable.

Nevertheless, the achievements cannot be overestimated because first of all the readily accessible unused assets and factors offering enterprises instant advantages have been used. It seems inevitable that the criteria for management, pay according merit, planned utilization of production, its technical standard and quality must be made more rigorous.

[Question] In their decision on the Set of Measures, the Presidium of the CPCZ Central Committee and the CSSR Government underlined that "it is of decisive importance for our scientific-technological development to become an organic part of the plan and the main content of all its parts, so that prompt implementation of the achievements of scientific-technological progress bring ample benefits to our national economy and that the qualitative indicators of the plan be upgraded." However, technological progress is translated into reality very slowly. It seems that precisely this area is the biggest Achilles' heel for the implementation of the Set of Measures.

[Answer] Indeed, in terms of scientific-technological progress, we are troubled above all by its slow advance. We included several new factors in the Set of Measures to stimulate technical progress; among them I should like to mention, for example, the indicators of profitability of production assets, the share of new, technically advanced goods, products of top quality, etc. However, it seems that face to face with reality this had not yet reached the substance and, so to say, we haven't yet hit the nail on the head.

No manager can remain indifferent to the factors that bring him economic results, whether the method is routine or new and advanced production. Every director of an organization depends on the method by which he puts new technology into operation. We must gradually work so as to reach a stage where production itself will require new technology and cannot operate without it. We cannot say that today there are no directors of our organizations who are diligently organizing work on new, technically perfect products for the needs of our national economy at the end of the Seventh and during the Eighth 5-Year Plan, and who are planning sophisticated production technology to save labor value added and embodied labor. I remember the words of a director of a large enterprise who proudly showed me new products technically prepared for production, as well as the operation of his departments for research and development preparing the "future" of the enterprise. That was an enterprise with a high share of products for export; the enterprise was familiar with the products of its competitors in European and world markets.

Thus, in his address to the Third SZM Congress the general secretary of the CPCZ Central Committee, Comrade Husak, stated so emphatically: "In order to accelerate our scientific-technological development, we are implementing now, and will enforce in the future, efficient measures throughout the entire system of planning organization and management, in the system of economic incentives and in investment policies. It should be stressed with great urgency that specific steps for more successful fulfillment of this truly pivotal role must be sought and introduced in every area."

New regulations according to which we plan as of next year to test measures for accelerating scientific-technological progress are now prepared and selected V.H.J. have already been acquainted with them. Their purpose is to intensify the effect of the economic mechanism so as to reflect scientific-technological progress in savings of materials and labor, in profits and in efficient foreign trade, in brief, to turn it into a decisive factor in the development of production and its efficiency.

[Question] In conjunction with this problem, it has been mentioned that a change could be made if the technicians were to receive better rewards than thus far.

[Answer] I'll be glad to reply to this suggestion because it confirms what I said in the beginning: that not every manager has adequately mastered the regulations of the Set of Measures and the subsequent norms required for their practical application. New and adapted norms already enable the really creative workers, such as designers, technologists and planners, whose work is manifest in the form of technically perfect goods and technology highly sought for in

foreign trade, to be rewarded according to merit, at a substantially higher rate than other, average workers. Nevertheless, the leveling trends prevail. This tendency must end once and for all. To help to this end, further measures, now in the planning stage, will increase even more the rewards to creative workers who are contributing significantly to our national economy, to offer them the best possible conditions for their work, and to free them from needless administrative work.

[Question] The technical standard--the quality of products and services--determines the acceptance of our goods in foreign markets. As a processor country, we have particular interest in proving our mettle in foreign markets. And yet it appears from the fulfillment of export tasks that many enterprises have failed to achieve this goal.

[Answer] In a situation where the growth of national income is, and will be, increasingly more dependent on foreign trade, its efficiency is one of the main sources for the growth of our national wealth. By the same token, management of production must not fail to affect the efficiency of foreign trade more directly, and the producers must know the situation of their competitors in foreign markets in order to better learn the conditions of pricing and exchange.

We must, therefore, make higher demands on producers, impose considerable economic pressures on them and judge their work according to the results achieved in foreign trade. In this sense, the principles of the Set of Measures were further specified and intensified; their effect will be tested in selected VHJ. Our concern is that the positive and negative effects of the achievements of foreign trade on the profitability of enterprises and VHJ increase the pressure on production and foreign trade, on more expeditious implementation of scientific and technological progress and on higher export efficiency of Czechoslovak economy.

[Question] The topic of our interview calls for special attention to the effect of the Set of Measures on wage differentiation and to the question about dealing with excessive administrative work. However, these and other questions may be combined in a single one: Isn't it true that if the principles of khozrashchet economy were having a greater impact, management would become more conscientious and more concerned about technological development, profits and success in foreign markets?

[Answer] As we have already shown, the khozrashchet principles in the Set of Measures are beginning to act in the right direction. Experimental introduction of the new, improved regulations in the areas of scientific-technological development and more efficient foreign economic relations is aimed at their further intensification, which will be of considerable importance. That is yet another step toward the goal we want to achieve, which the premier of the CSSR Government so aptly defined at the SZM Congress in the CSR: "Gradually we must create a situation where all persons involved in production and trade will be forced to earn their own way as well as providing the necessary resources for rewards, enterprise assets and investments."

The khozrashchet principle of authority and responsibility will be even more strengthened by the fact that the achievements of foreign trade in exports and imports, in terms of the foreign prices earned and the agreed-upon conditions of payment, in experimental organizations will be fully reflected in the management of the VHJ and enterprises, and that a united investment fund will be established from assets of the VHJ themselves and from bank credits for the purpose of underwriting the investment development of the VHJ.

In general, however, enterprises cannot relax in their efforts for unconditional implementation of the enterprise subdivision khozrashchet system. For the VHJ and ministries, it is far more necessary to organize an exchange of experience in this area, to make the improvement of the enterprise subdivision khozrashchet a part of comprehensive programs for the development of management in enterprises, and to link the development of khozrashchet with the forms of teamwork in the organization of labor and rewards.

[Question] From these problems, it is but a tiny step to the question of how the Set of Measures has affected the intensification of worker participation in management.

[Answer] The progress in this direction is indisputable. The creativity of our working people reflects more specifically the efforts to implement the khozrashchet principle and to demonstrate and introduce in practice good stewardship and efficiency. Furthermore, with their demanding character, the principles of the Set of Measures set preconditions for more critical reviews of the control by work teams. Individual and collective pledges of our working people are focused more on all kinds of conservation, quality of labor and deliveries of specific products.

All opportunities have not been exhausted even here. As for the participation of our working people, the counterplanning program should be developed on a substantially larger scale with the objective of developing more progressive annual planning by disclosing unused assets more promptly. The influence of our working people on the implementation of the policy of rewards according to merits must be expanded as soon as possible in order to "stop the gravy train" for parasites who are taking advantage of the diligent work performed by our able and efficient workers.

If we speak about the participation of our working people in the management, I cannot omit one piece of information which is not to the best credit of some persons in management. While we were discussing the comprehensive program for the development of management which had been submitted to us by the ministries, we discovered that their weakest point is the problem concerning the tasks and functions of the human factor. Most of the objectives and measures for the development of management are focused on formal logical and technical-organizational aspects to the detriment of the decisive sociopolitical and economic aspects. The solution of the problems related to the human factor in the programs is narrowed down mostly to the basic duties of the cadre and personnel formations and thus, it does not adequately reflect one of the axioms of managing work, namely, that "management is, and will be, a socioeconomic process in which man plays the decisive role."



[Question] Comrade minister, we should like to have now your brief conclusion about the efficiency of the Set of Measures. Could you tell us a few words about the procedures in the future?

[Answer] We have focused in our interview on reviewing the efficiency of some important principles of the Set of Measures. We underscored that the Set of Measures is a proper base for the further development and improvement of the planned management system. In addition to certain specific economic achievements, it helps to overcome the quantitative approach to management; to put more emphasis on intensifying growth factors and to implement them. Thus, it helps fulfill the decisions of the 16th CPCZ Congress on the unavoidable transition of our economy to the method of intensification.

However, by the same token, it appears that the conditions for the implementation of the Set of Measures--i.e., basic objective conditions--are more demanding than initially envisaged. It also appears that the Set of Measures has no appreciable effect in the area of the scientific-technological development, capital investment and foreign economic relations.

Even when approving the Set of Measures, our party organs stressed that it was an open system which would be improved according to new needs, information and experience.

In conjunction with the review of the Set of Measures, the Presidium of the CPCZ Central Committee also discussed the Program for Further Work on Improving the Planned Management System which envisages that in addition to gradual measures and changes during the Seventh 5-Year Plan, a more radical step to improve the management system in the Eighth 5-Year plan will be planned and put into a specific form.

[Question] May I thank you for the interview, comrade minister?

[Answer] And I wish to thank PRAVDA for its concern about the problems of management. In conclusion, I wish to underline that even if the Set of Measures were couched in the most perfect form imaginable, what matters most is the political attitude of managers and their interest in the application of the adopted principles. For that reason, what remains urgent is that part of the decision by the Presidium of the CPCZ Central Committee and the CSSR Government which mentions that "when explaining and planning the measures, considerable attention must be given to the interpretation of their Marxist-Leninist ideological foundations and of their correlations with the solution of objective problems and shortcomings in the development of the economy and of the changes stemming from the economic development in our country and especially abroad."

9004

CSO: 2400/42

'PASSIVITY' OF ENTERPRISE MANAGERS CRITICIZED

Prague ZEMEDLSKE NOVINY in Czech 19 Oct 82 p 1

[Editorial: "With Initiative and on Time"]

[Text] One economic year has not yet ended by any means, and once again we have to start making decisions about the tasks of the next one. In the forthcoming weeks, there are and will be first of all preparation, specification and adoption of production plans for 1983. Generally speaking, the problem is to harmonize the needs of society with production facilities. It is no secret that this has caused quite a bit of difficulties in the past. For many reasons, almost always allegedly "objective" ones, manufacturing enterprises quite often refused to accept the plan as proposed to them by the central planning organs on the basis of a purchase order on behalf of the entire society. Even last year, it was no exception to see cases when a manufacturing enterprise agreed to accept even slightly increased assignments providing that it would get considerable additional allocations of fuels, energy, material or manpower. As to the current year, the approach to the preparation of the plans for the forthcoming year seems to be generally more serious for the time being, but one cannot completely eliminate relapses into past practices.

It may occur to someone to ask how it is possible that such problems arise at all. Indeed, enterprises and establishments are not headed by any sort of people, but only by those who satisfy the strict criteria of personnel policy. These are people who are qualified both professionally and politically, and therefore people who understand that in contrast with capitalist managers they must organize production by taking into consideration not only the interests of the enterprise, but at the same time--and especially--the interests of the entire society. In spite of that, it appears precisely in the preparation of production assignments that some management workers take a long time to get from a verbal recognition of this principle to its practical expression.

Some leading economic workers are trying to avoid being management workers in the true sense of the word, namely as organizers. Perhaps under the impact of habits gained in the outdated past, they understand their responsibility above all as a duty to "carry out" mechanically assignments received from some higher official. Instead of taking the initiative and deciding by themselves within their jurisdiction as managers in their own sector what to manufacture and how, so that the result would serve the public and the rightful interests

of the working collective, they rather wait until someone "above" makes the decision for them. And so it happens that instead of making a decision about how to implement a plan proposed by the central office, everything is done to make sure that in the final analysis, perhaps because of the advanced season, the decision would have to be made again by the superior central organ.

Such allocation of assignments "from above" is the most convenient solution for management workers who are not too anxious to manage and organize production effectively. That leaves the back door open for them, through which they can skip out later on, if necessary. If the plan is demanding, it will not be their "fault" when people in their enterprise have to work better and harder. On the other hand, if it turns out that the enterprise gives society less than it could, there is a welcome opportunity to find excuses by saying that, after all, the assignments received were firmly determined.

However, the passivity of such "management" workers in the preparation of the plan also causes more damage. First of all, it suppresses the creative element in the planning process. Collective skills and knowledge can be awakened only by the leading economic worker who is able to face his collective courageously, to inform it truthfully about the future requirements, and to justify them. If he is also ready to explain to the people what he himself and the managing components of the enterprise have so far accomplished for the implementation of these tasks--namely, how they have provided for continuous deliveries of material and energy, how they will assign the people, how they will control them and remunerate them--then he can realistically count on the initiative of the collective. And the collective will usually know how to handle even the most difficult parts of the plan.

Such a truly managing worker will actually accomplish even more: he will awaken in the people a lasting need to work not only according to the given order, but, in addition, to give society creatively everything they know and are able to do.

If by chance these words sound lofty to someone, he can convert them into the quite realistic shape of implementation counterplanning. It is first of all up to the trade union organizations to show initiative in that respect--in the interest of the future living standard of all the working people--even before the final version of the plan for the forthcoming year goes into the safe of the director of the enterprise.

5668

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BROAD REVIEW OF ECONOMIC PLANNING PUBLISHED

Factory View

Warsaw TRYBUNA LUDU in Polish 16-17 Oct 82 p 3

[Article by Krzysztof Krauss: "As Seen in the Factories. The Enterprises' First Opinions and Suggestions. 1983-1985: Timeframes"]

[Text] The opinions of 123 enterprises, who have for a long time now been consulted as to the principles of economic reform, were requested. This time they were asked to express themselves on the variants of the concept of the National Socioeconomic Plan for the 1980's. What did this survey bring?

These are the opinions of a small number of enterprises. But this is, after all, a kind of sampling as to what the preferences are for the variants presented in the plan's concept.

It is symptomatic that none of the enterprises consider variant III--the one which most of all envisages a relatively rapid rebuilding of production to the pre-crisis level. The most prevalent opinion is that a "golden mean" should be maintained--a moderate but even rate of recovery of economic balance.

This stems, it seems, not only from rather skeptical views of the possibility of a favorable development of international determinants of our economy, but also because several times already we have tried to move forward by "leaps", and generally this has ended unfortunately.

At this time too, many critical opinions were formulated on the subject of the very construction of the variant proposals. The authors of the draft were accused of not having clearly stated what the social consequences of the selection of particular developmental concepts would be. Another thought: the government, as a rule, tends to take the "middle variant" as its position, which, in the opinion of the respondents, makes the very logic of giving consideration to the choice of another variant questionable.

The enterprises have expressed themselves as being in favor of preferences for consumption at the cost of investment. This means, therefore, that when the national income is being divided, the return to a pre-crisis level of consumption be expedited as quickly as possible, even at the expense of further reductions of investment.

The suggestion was also made by some enterprises that the "dilemmas of choice" in the sphere of investment policy, be stated totally differently than is now being done. Namely, it is proposed that a threshold of outlays be defined, below which the depreciation of national assets would occur, and not until this kind of calculation is available should consideration be given to the size and structure of means for investment. It is the opinion of the authors of these suggestions that there is no reason to believe that an active investment policy can be conducted at this time and that, above all, the already existing production assets must be shielded against depreciation.

Investment preferences? The opinions of the enterprises consulted are very divided in this matter. The enterprises from the subsectors which during the preceding ten years benefited from the large "stream of means" for the development of production potential (metallurgy, construction), say that now social-type investments should be favored. Other, less generously endowed enterprises (e.g., enterprises of the agro-food industry), believe that the meager investment means should be directed first for the expansion and modernization of technological equipment.

The remaining factories give first priority to housing construction. In their opinion, the amount of the factory-attached construction should not be limited by the funds in the Factory Housing Funds, but the enterprises should be able to obtain bank credits for this purpose. Some of them are demanding that official prices be established on works connected with housing construction, as protection against price dictates on the part of the executing enterprises. Housing is regarded as a means of stabilizing the workforce and obtaining new workers.

Insofar as the consumption fund is concerned, most of the enterprises are in favor of increasing the share of consumption from personal incomes at the expense of reducing collective consumption. It is maintained that means for collective consumption are, in general, not being used effectively.

Within the framework of collective consumption, financed out of the State budget, only two fields should be distinctly favored: culture and health protection, and primarily health protection.

The proposals contained in the "variants of the concept", regarding temporary relinquishment of free [nonwork] Saturdays in order to accelerate the rebuilding of production, evoked a great deal of emotion. The idea of mandatory work on free Saturdays was firmly rejected. The representatives of the enterprises assert that decisions in these matters should be left to the factories themselves and their workforces, and that this work should be completely voluntary.

This work should also be specially rewarded, according to increased rates. Some of the factories also suggest that, just as is the case in mining, additional earnings for work on free Saturdays be tied to the ability to obtain scarce goods for this money. But doubt is sometimes expressed as to whether a possible temporary extension of working time will really make it possible to come out of the crisis faster, whether this makes economic sense.

Many critical opinions are evoked by that part of the "variants of concept" that pertains to the so-called "instrumentation" of the plan, e.g., the incentive systems.

The mechanisms of reform, the enterprises assert, are not functioning properly. The document submitted for discussion does not contain an assessment of the effectiveness of the influence of reform on an improvement in management efficiency.

In some enterprises it is believed that the document submitted for discussion should, as quickly as possible, be supplemented with assumptions pertaining to wage and income policy for 1983-1985 and beyond 1986. These assumptions should stand in distinct opposition to the arising tendency, in the opinion of the authors of these statements, to shift the effects of the crisis exclusively onto the workers in the socialized workplaces.

The presidium of the Planning Commission, as we have already reported, made a decision to conduct additional analyses relating to the comments and reservations submitted during the consultations thus far on the variants of the concept of the plan. We refer to problems on living costs, models of consumption, matters concerning housing construction, various aspects and various variants of possible additional work on free Saturdays, and plan instrumentation.

These analyses, which are not to impose any solutions from above and which are to be only a more detailed documentation of problems requiring joint consideration, will be made available to both the workplaces as well as to society as a whole. Only by a dialogue with society and with actions in front of "an open curtain" can a program be created which will meet its expectations. And only under these conditions will there be a chance to prepare a plan, the shortest and surest way leading to a revival of the economy, and the ability of that economy to develop.

#### Question of Free Saturdays

Warsaw TRYBUNA LUDU in Polish 19 Oct 82 p 4.

[Article by Krzysztof Krauss: "On the Three-Year Plan Assumptions. "Free-Saturday" Work: Yes? No?"]

[Text] Among the most controversial proposals contained in "Variants of the Concept of the National Socioeconomic Plan up to 1985 and Preliminary Assumptions for 1986-1990" is the suggestion that consideration be given to a temporary relinquishment of some of the so-called "free Saturdays".

Relinquishment only for a temporary period, to 1985, and only where real chances of ensuring a "work front" exist, is being suggested. Of course, in return for additional, increased, pay. The Planning Commission, which came forth with this proposal, believes that in this way the period of extrication from crisis can be shortened by one year.

The first reaction by a large number of enterprises is a negative attitude toward the proposal. A considerable portion of the questionnaires and surveys conducted in various circles produced the same result. The enterprises consulted on economic reform, whose opinion was asked by the Planning Commission, treated this part of the "Variants of the Concept..." with reserve. Our editorial surveys on this subject also brought forth very divided opinions.

Can we conclude from this that the matter should be regarded as "null and void" and that this subject should be deleted from the still-continuing discussion? It seems to me that this would be premature. The issue here is too important. Should the idea of additional work on "free Saturdays" be rejected, the rebuilding of industrial production to the pre-crisis level would not take place, according to the most probable estimates, until the turn of 1985-1986, and the level of consumption in terms of one inhabitant, at the end of the 1980's.

A decision on this question cannot be based on emotions. I use the term "emotions" to describe the first reactions to this proposal deliberately, because it seems to me that not sober consideration, but feelings, often prevail during the preliminary phase of consultation. The emotions of the enterprises are quite understandable. The internal financial situation does not force them to work on Saturdays. For the first time in a long time, they do not suffer for lack of cash. Not for a long time have they achieved such large profits. The means for "self-financing" came to them somewhat themselves, without any great effort. Simply speaking, by taking advantage of the wide margin of "free prices" and "contract prices", and also the impreciseness of the regulations on "regulated" prices, they often demanded that they be paid more for lower production.

The State cannot be neutral to the tendency to exploit the crisis situation in order to attain improper profits and must finally take steps to ensure that profits result from good work and higher productivity, and not from an interplay of indicators. If "objectivization" of prices takes place, and it certainly must, the present system, which is conducive to "arrangements", will change radically. In order to achieve a profit, it will be necessary to produce better and cheaper. There will be no other way out.

The time of sober reflection on what will be and how it will be--and this time will come, let us hope as soon as possible--presumably will change the attitudes of the managements of the factories, the directorates of the enterprises, and the reviving self-governments, towards the various initiatives aimed at a real improvement in economic and production results. That is why I do not believe that it is time to end the discussion on "free Saturdays".

Emotions, in my opinion, are also conspicuous in the reaction of part of society to the proposal for a discussion on "free Saturdays". "Free Saturdays" are indisputably necessary. They make family life much easier, even though there are still the problems caused by the inefficient functioning of trade. This is true, but there is still a large percentage of society which is convinced that the crisis can be weathered with "dry feet". Unfortunately, reality is brutal, and illusions--there are fewer of them today than a year ago--gradually give way under the pressure of facts.

Furthermore, public opinion is still influenced by the fear that a temporary return to work on "free Saturdays" might mean a final parting with that great social achievement--a shorter workweek. I believe, therefore, that in this case also, these preliminary opinions should not be regarded as a final position. Society must still have time to consider.

However, there is not time enough to delay the broader and more detailed documentation of all of the "pros" and "cons" in this matter. Yet there is no doubt that statements contained in the present version of the "Variants of the Concept..." are insufficient for one to form an objective, fully developed position.

In the first place, in my opinion, a clearer position, supported by a higher authority, e.g., the Sejm, is necessary. We are concerned here only with a temporary measure, a temporary extension of the workweek. And not everywhere, but only where this is justified on a materials basis, and not "free" but for very specific, additional wages.

✓ In the second place, we must make clearer than we have thus far, specify the fields in which, according to the planners' evaluations, additional work on "free Saturdays" will accelerate the end of the crisis. In particular, there must be unshakable documentation depicting the real chances of ensuring a "work front" for the subsectors and factories which possibly would begin working on "free Saturdays"-- and this front must be genuine.

In the third place, the results of the work performed by part of the workforces on "free Saturdays", as envisaged by the planners, must be more accurately and reliably documented. That is, what kind of additional production, at what cost, what would be the effect of this additional production, for example, on the gradual elimination of the ration-card system, on the availability of goods on the market, on easing inflation, on the country's import potential, etc.

In the fourth place, the "alternative" proposals put forth during the course of the consultation thus far, require suitable documentation. These proposals include the introduction of a 6-day "production week" in certain subsectors and factories, with a 5-day workweek for the workforces (additional shifts would be organized and started up, which would interchangeably begin work on particular days of the week, including Saturdays).

This is, I believe, essential, if the further discussion on "free Saturdays" is to be less emotional than has been the case thus far, and if prudent and considered decisions are to result from this discussion. The matter is open, and it must be so. The consultation on this question, as well as on all of the others pertaining to the assumptions of the plan, must be a true consultation. Without answers supplied from above, but also without any needless obstinacy.

#### Three Plan Variants

Warsaw TRYBUNA LUDU in Polish 21 Oct 82 p 3

[Article by Krzysztof Krauss]

[Text] For the first time in our planning practice detailed work on the assumptions of the National Socioeconomic Plan are being preceded by a public discussion, the object of which is the concept itself of economic strategy for the immediate future, and strictly speaking, several variants of this strategy.

The report prepared by the Planning Commission employs, as we know, three so-called basic variants which envisage different rates by which the economy will rid itself of the crisis phenomena and recover balance.

In the first variant (worse than average conditions for the development of agricultural production, relative slow appearances of positive effects of economic reform,



continuation of the policy of economic sanctions by the Western countries), the Planning Commission anticipates that even in 1985 industrial production will be four points lower than in 1980, that total agricultural production will increase by only six percent, and the generated national income will still be approximately 10 percent lower than at the end of the 1970's.

Because of the need to pay off foreign obligations, which reduces the possibility of applying work results to domestic needs, the national income for division, according to the Planning Commission's estimate, will be modest, scarcely nine percent higher than at present, and approximately 16 percent lower than at the threshold of the present decade.

The second variant (a developmental growth rate close to that achieved by other countries), could, according to the Planning Commission's estimate, ensure almost total reconstruction of industrial production to the pre-crisis amounts as early as 1985.

The generated national income would, it is true, continue to be lower than in 1980 (by approximately seven percent), the income for division would be six percent lower, but it would already be relatively "decent" and would make it possible to fully make up the losses caused by the crisis, during the second half of the 1980's, and in certain areas, at the beginning of the next five-year plan.

The factors on which the realization of this variant depends are: fair, on the average, weather conditions for farm production; growing (although gradually and not by "leaps") production and economic results of economic reform; normalization of trade with capitalist countries; and agreement, on a reasonable basis, on the rescheduling of our foreign debt.

The third variant (relatively big increases in industrial production as early as the first three-year period, maintenance of a high growth rate in the years immediately following that, and a rather high growth rate in agricultural production).

According to this variant, as early as the beginning of the next five-year plan we could expect to attain the 1980 amounts of generated national income, and shortly therefore, also the national income for division. The conditions: above-average crop yields; very quick freeing, by economic reform, of production incentives, especially in the area of a "pro-export" disposition on the part of industry; a large growth, as a result of this, in foreign-exchange revenues from the second payments area [capitalist countries] even prior to 1985, should make it possible to gradually increase imports and make it easier to solve the payments problems.

#### The Extent of the Risk

The authors of the variants are concerned primarily about deciding, with the aware participation of society, what the nature of the plan should be--whether it should be a "safe" or "very safe" plan, or whether it should be loaded with a certain amount of risk.

A "safe" plan, that is, one constructed on the assumption that the factors beyond our control or controlled by us only very slightly, will turn out as bad as possible, ensures a large probability of achieving all of the goals which under these conditions

are achievable. Such a plan construction, however, carries the risk that should the factors not under our control, or only slightly under our control, turn out more favorably, then not all of the additional opportunities will be properly made use of, for the economy will not be prepared, in terms of planning, for such an eventuality. A plan constructed on the assumption that these factors will turn out favorably must certainly be different. It can, for example, provide for less means for agriculture itself, more for processing of crops, less for development of production replacing imports, more for those subsectors of industry that under Polish conditions show the highest economic efficiency, etc.

Understood thus, a question as to a position on the variants is a question as to the permissibility of an amount of risk.

However, the variants of the concept of the National Socioeconomic Plan (NPSG) presented for public discussion, also--and even primarily--contain a long list of difficult problems of a totally different type.

#### Dilemmas of Selection

The basic dilemma which must be solved regardless of how the factors now regarded as an "unknown" turn out, concerns the inclusion of extensive mechanisms for stimulating the economy. The future plan, of course, must appeal for an improvement in management efficiency as the basic element for bringing the economy out of stagnation. We know, for example, that there is no chance that the materials-supply situation will change radically in the next few years. Presumably, insofar as supplying industry with the 40 basic raw and other materials (from domestic production and imports) is concerned, deliveries of these will not increase by more than 19 percent by the end of the 1980's. With the indicators of production materials-intensiveness at their present level, this does not promise that even the most modest of the plan's variants will be fulfilled.

That is why in all variants basic progress is envisaged in economical management of raw materials and other materials, on a scale not previously equalled in our economy. In the so-called "middle" variant, it is anticipated that in 1990 the consumption of raw materials for the production of the equivalent of 1 million zlotys of industrial goods will be 14 percent lower than at present. There should be an annual reduction in materials consumption amounting to approximately 1.9 percent. The authors of the "NPSG concept variants" envisage that dire necessity, reinforced by new economic incentives ensuing from the principles of economic reform, will finally surmount the "impossibility barrier".

According to the Planning Commission's estimate, the process of rebuilding the economy could be accelerated by one year if, in addition to progress in management efficiency, which is indispensable in any circumstance, we would decide to temporarily, during the most difficult period of the next three years, give up the free Saturdays (there, naturally, where a possibility of ensuring a so-called work front exists).

Society, say the authors of "Variants of the NPSG concept", should give some thought to what is more profitable--to avail itself of the shortened workweek which is patterned after countries that are generally much wealthier than ours, or to extricate itself somewhat sooner from the crisis bottom, accelerate the reconstruction of the level of production, and after that, the level of consumption.

How is it to be Divided?

Another dilemma: how to use that portion of the national income which remains available for internal use after foreign obligations are repaid. We refer in this case to the proportion of the division of national income between consumption and investment. Theoretically, by restricting investments even more, we would have more for current consumption. And, if investments are not reduced, then should they be "frozen" at their present level, or, as the national income for division grows, should means for developmental purposes be increased in a commensurate proportion?

The next, rather large group of problems which must be settled yet during the preparation of the concept assumptions of the plan, concerns the division of means which will be available for our own needs in the coming years.

In that portion of the national income for division which will remain after the investment means deemed to be indispensable are allocated, i.e., the portion that will be used directly for consumption, many matters also require very careful consideration and fully developed, conscious settlement.

Consumption, as we know, can assume two forms: collective consumption (financed by the national budget, local authorities, enterprises, social organizations) and from personal incomes (means for consumption go directly into the pockets of the citizens in the form of wages, services, etc., and these then decide what they are to be used for). What, under the present circumstances, should be the correct ratio between the portion of the means for consumption organized and paid by the State or other institutions, and the remaining portion? Everyone knows that the more of these means that we allocate for collective consumption, the less remains for individual consumption.

There is just as much argument in favor of maintaining, or even increasing, the share of collective consumption (at present, this share amounts to approximately 11 percent), as against doing so, i.e., in favor of reducing collective consumption. The crisis favors the growth of social disproportions--collective consumption, ensuring all citizens equal access to basic goods and services, alleviates these disproportions. But extrication from the crisis requires that the incentives connected with individual input of labor must be strengthened, which, when means are reduced, is very difficult to achieve.

Neither, in turn, is the method of dividing the means for collective consumption an obvious matter. Should they be allocated for all of the fields that traditionally fit the concept of collective consumption, or only for certain of them? If certain fields are clearly indicated, then, naturally, all of the other fields will suffer. And if we decide to give priority to certain fields of collective consumption, then to which ones? Education? Health protection? Culture? Leisure?

The preliminary stage of consultation on the main conceptual assumptions of the plan for the immediate future and later, has not yet answered all of the questions. Many still remain, maybe even more now than it seemed a couple of months ago.

Further discussion on the "Assumptions" should bring answers to these questions.

## Discussion, Not Plebescite

Warsaw TRYBUNA LUDU in Polish 25 Oct 82 p 3

[Article by Ryszard Bilski]

[Text] The proposed plans for the next three years and for the 1986-1990 five-year plan, as presented to society, are being rather widely and sharply criticized. Both the way in which the plan is being created and its substance are being criticized. Accusations are being made, for example, that society has not received comprehensive, clear and understandable economic documentation and informative forecasts.

We have reported only some of the comments, those made most frequently. Some of them were also published in TRYBUNA LUDU.

This is one side of the coin. The other side must also be seen--the conditions under which the drafts of the plans arose: an economy tormented by a severe crisis, an increasing decline in production (not halted until the turn of August-September), strong social and political tensions, and the growing economic sanctions of the Western States.

On one side, uncertainty, great risks, lack of stabilization, and on the other side, strong social pressure and expectation of a perfect plan, one which would help us solve if not everything, at least the largest troubles. Meanwhile, there can be no ideal plan, for these very reasons.

The planning proposals submitted, let us remember, are a first, and whatever else may be said, a bold attempt to practically apply new planning principles. The process of shaping and developing the plan foresees a continuation of the discussion. Soon the draft will be discussed at the plenary meeting of the PZPR Central Committee. It will also be examined in detail by the Sejm commissions, and the Sejm will also look at it.

The plan and how it was created clearly confirms that the planning arrangement in effect thus far was disrupted: Planning Commission-ministries-associations-enterprises. The following arrangement arose: central plan-enterprise plans.

But then, this arrangement, so long awaited, caught many enterprises by surprise. For many years they had been accustomed to having tasks assigned to them from "above" and they had been concerned only with obtaining the largest possible means in order to implement them. Only a few enterprises, in particular cases (international agreements, natural calamities, guarantees of the country's defense), could be assigned tasks from above.

Experience of the past few months confirms that plans are created by their implementers, that no one imposes anything on anyone. Neither have the enterprises received instructions, as they did formerly, to prepare a draft plan in several versions, but were asked to fill out a questionnaire which would show what their intentions are for the next three years and the period after that.

Production which is, or may turn out to be, necessary, will occur not by means of orders and instructions, but by means of economic instruments. In a reformed economy the producer is guided by economic parameters, and therefore, the conditions important to him are credit, demand, price, duty, tax.

In fulfilling a legal obligation, the central planner presented to society, in addition to a three-year plan directed mainly at pulling the country out of the crisis, a five-year plan. In addition to the vision for the next three years, there are also the prospects for the future. At the same time, the preparation and discussion of these two plans has a tremendous advantage. It guarantees that the situation of past years--"the five-year plan unto itself and the annual plans unto themselves", will not repeat itself. Now, without the agreement of the Sejm, the central five-year plans will not be able to be changed and subordinated, for example, to the annual plans.

A feature of the plan being discussed is its informational character. The enterprises expect comprehensive and reliable information from the central planner. They want to know how much energy and coal will be available, and they are looking for answers to questions such as: what materials will continue to be under state control, etc. Price forecasts are indispensable. On the basis of this information, enterprises will be able to make optimal decisions.

It will not be easy for the central planner, under present circumstances, to meet these expectations, but he should do this to the maximum degree possible.

I believe that the stimulus for further discussion on the three-year plan and the five-year plan may turn out to be an attempt to look at these documents through the eyes of specific enterprises. It appears advisable to seek an answer to the question: is this general plan helpful in constructing the enterprise plan, and how much. It would be a mistake, however, in my opinion, to arrange plebescites or voting: who is in favor of the first variant, who is in favor of the second, and who is for the third, or for work on free Saturdays.

The discussion on the assumptions of the plan should serve to increase knowledge about the mechanisms of management, about the state of the economy. It should lead to a comparison of the problems of the enterprise with the problems of the national economy, to mutual inspiration and harmony of interests and goals on the micro- and macro-scale.

9295

CSO: 2600/70

SOCIOECONOMIC PLAN AND FUTURE VARIANTS PUBLISHED

Warsaw RZECZPOSPOLITA in Polish 16 Aug 82 pp 3-5

[Article: "Variant Conceptions of the National Socioeconomic Plan to the Year 1985 and Preliminary Targets for the Years 1986-1990"]

[Text] The law passed on 24 February 1982 on socioeconomic planning provides for the drafting of the socioeconomic plan in two stages, as follows:

- ✓ 1. The elaboration of variant conceptions of the plan, which are presented to the public for comment.
2. The elaboration of a plan draft which takes into account the details of opinions and recommendations of the Sejm, public comments, and adjustments and agreements concerning the coordination of the plans of the CEMA countries and other international agreements, and so on.

In keeping with the law's provisions, the Planning Commission of the Council of Ministers has drawn up a document entitled "Variant Targets of a Three-Year Plan to the Year 1985 and Preliminary Targets for the Years 1985-1990," and the Council of Ministers accepted the document at its meetings on this past 26 July and 12 August and decided to present it to the Sejm. It is proposed that the three-year plan for 1983-1985 be named "Three-Year Plan to Restore Economic Equilibrium," in order to emphasize in this way that it will be a continuation of the program to overcome the crisis and present as the major task the restoration of developmental trends in the economy and their being given a nature of permanence.

The Council of Ministers is directing the above-mentioned document to the Sejm of the Polish People's Republic, the Central Committee of the Polish United Workers Party, the Supreme Committee of the United Peasant Party, the Central Committee of the Democratic Party, to youth organizations: the Union of Socialist Polish Youth, the Union of Rural Youth, and the Socialist Union of Polish Students; to the Voivodship People's Councils, and also to the Polish Academy of Sciences, the Chief Technical Organization, the Polish Economic Society, the Consultational Economic Council, the State Mining Council, the State Council on Fuel and Energy Management, the State Environmental Protection Council, and State Regional Planning Council, as well as to the many enterprises.

In keeping with the socioeconomic planning law, below is a discussion of the variant conceptualizations for the three-year plan to 1985 and preliminary targets for 1986-1990 along with proposed directions for resolving basic socioeconomic problems during this period. It is the goal of this publication to acquaint broad groups of the society with the conception of the plan and to permit the expression of opinions and the presentation of proposals concerning both the selection of the various variants and subvariants and other problems of the plan.

In the presentation of the variant concept of the first national socioeconomic plan under the conditions of the economic reform and the invitation of public comment, one should note the role of this plan within the whole system of socioeconomic plans. As a basic instrument for guiding the development of the national economy, this plan is fundamental insofar as we are concerned with the part on the major central investment undertakings, scientific research programs, tasks implied by international understandings and agreements, and tasks related to the state's security and defense preparedness. In the other parts, the plan contains targets of socioeconomic policy, operating principles and economic instruments to insure economic balance and coordination of the plan, and also assessments, estimates, and forecasts of the development of the economy. This means that under the conditions of the economic reform, the sphere of binding provi-

sions of the central plan encompasses relatively few areas, and in a very broad area the development of the economy will depend on the independent decisions of the enterprises, other economic units, and local authorities, with the central authorities only having an indirect impact on these units' decisions through the use of economic means, rather than through directives.

The response from consulting the public about the targets of the plan and the ways the response will be taken into account will be presented in October to the Sejm, which, in keeping with the law, will select the variant, after which time the plan draft will be drawn up during the second stage of the planning work.

## I. Basic Assumptions and Targets of the Plan

### Conditions for the Development of the Economy in the Years 1983-1985

To a very great extent the economic targets of the three-year plan, especially the rate at which the crisis is overcome and progress is achieved in activating the economy, will depend on a whole number of internal and external factors.

Decisive in significance among the internal factors is the development of the socioeconomic situation in the country and the attitudes of the society. For this reason work on the conceptualization of the plan includes the assumption that social attitudes and the socioeconomic situation will be favorable to normalization of the economic processes.

An important factor in accomplishing the plan targets will be the continuation of actions to favor national understanding and the integration of the society, the active involvement of creative groups and their expanded participation in the development of the economy, improved management effectiveness, the fullest implementation of the economic reform, and the gaining of ever broader public support for the government's policy.

The economic effect of these changes in the sociopolitical situation should be a decided improvement in labor productivity, which is an especially important condition for getting out of the crisis. The attainment of an increase in labor productivity depends on improved quality of work, on greater thrift and good management at each work station, and on people's attitudes during the work process.



Among the external factors, the further development and deepening of economic integration and cooperation with the Soviet Union and other CEMA countries will be of particular importance in activating the economy. Also of significance will be the situation in foreign trade and the structuring of the balance of payments with the socialist countries, because it is to a great extent on this that the economy's supply of raw materials from those countries depends, along with the related possibility of making fuller use of existing production capacity.

It is estimated that there are various ways the situation in this area may develop.

It is considered most likely that the conditions for the repayment of our debts will be negotiated in such a way as to make it possible to expand imports from the Western countries even in 1983-1985, but for this purpose it would also be necessary to obtain more favorable repayment conditions than we have enjoyed in the past and to spread the payments out over a longer period of time. In this case, by increasing imports from the capitalist countries in conjunction with intensive efforts to rationalize these imports, it would be possible to obtain gradual improvement in the supply of imported raw materials and therefore an increase in both production and exports, an improvement in the trade balance, and an increase in national income even by 1983. The rise in production and deliveries to the market would also help bring about a more rapid improvement in the market situation.

On the other hand, we cannot exclude the possibility of an adverse development of the situation either, along with the possibility of current restrictions in foreign trade continuing on the part of the creditor countries in 1983-1985 too. As a result it could be necessary to keep imports from the creditor countries at the present low level for 2-3 years. Under such conditions we cannot preclude a further decline in production and national income even in 1983. This in turn would mean a slower rate in building up production to the year 1985 and therefore further limitations on the possibility of repaying the interest on credit as the result of the low income from exports. This would also extend the duration of the transition to market equilibrium. We may judge this variant to be unlikely, but it must be taken into account in further work and be treated as an emergency variant.

Certain internal factors are also judged to have possible variants for the next few years. In particular, we cannot foresee just what the weather conditions will be or their impact on the agricultural production situation. At the moment it is also difficult to predict the scope and rate of obtaining production effects or improving economic results in the enterprises pursuant to the implementation of the economic reform.

Taking into account all these factors with which some uncertainty is associated, we have drawn up three variants of basic indicators of socioeconomic development (so-called economic macroratios), given in Table 1.

Table 1. Variant Macroratios in 1983-1985 and in 1986-1990

		in 1982 prices					
v		1983			1990		
		a	r	l	a	n	t s
		variant I	variant II	variant III	variant I	variant II	variant III
in billions of zlotys							
(a)	Produkcja sprzedana przemysłu w mld zł	7245	7440	7570	8620	9080	9690
	1982 = 100	112	115	117	133	140	150
	1980 = 100	96	99	110	114	120	129
(b)	Globalna produkcja rolnicza w cenach porównywalnych w mld zł	625	650	660	705	730	750
	1982 = 100	106	110	112	119	123	127
	1980 = 100	109	113	115	123	127	131
(c)	Dochód narodowy wytworzony w mld zł	4270	4440	4535	5060	5600	5925
	1982 = 100	111	116	118	132	146	155
	1980 = 100	90	93	95	106	118	124
(d)	Eksport w mld zł krajowych	987	1050	1070	1316	1450	1545
	1982 = 100	120	127	129	159	175	187
(e)	Import w mld zł krajowych	883	930	935	955	1020	1030
	1982 = 100	110	116	117	119	127	128
(f)	Dochód narodowy do podziału w mld zł	4135	4285	4365	4660	5120	5360
	1982 = 100	109	113	115	123	135	141
	1980 = 100	84	87	88	94	104	109
(g)	Spożycie ogółem w mld zł	3240	3390	3470	3750	4075	4260
	1982 = 100	106	111	114	123	133	139

[Key]:

- (a) Sold production of industry
- (b) Gross agricultural production in comparable prices
- (c) Created national income
- (d) Exports in domestic zlotys
- (e) Import in domestic zlotys
- (f) National income for distribution
- (g) Total consumption

Variant I is based on the assumption that both in 1983-1985 and during the following five-year period the conditions for the development of agricultural production will be worse than average, the effects of the economic reform will be gained slowly, and economic restrictions will still be applied in later years. Under these conditions the indicators for economic development would have to be the most modest, and it would be the most difficult to estimate the level that would be reached; it would depend on the force and accumulation of the difficulties.

Variant II exhibits moderate indicators of development and is based on the assumption that the conditions of agricultural production will be average, that the implementation of the economic reform will produce gradually increasing production and economic effects, and that the situation of foreign trade with the capitalist countries will become normalized, with simultaneous agreement on new principles concerning the financing of our indebtedness.

Variant III has the highest indicators and is based on the assumption of above-average crop harvests in agriculture and very rapid results from the reform, including a substantial activation of exports to the capitalist countries even before 1985 and still greater progress in later years, which would permit a gradual increase in both imports and the repayment of debts, and this would accelerate the process of achieving the balance of payments.

In presenting the economic consequences of each of these variants, we propose to accept Variant II as the basis for constructing a three-year plan.

In each of the variants described, the internal factor which can have a fundamental impact to bring us back more quickly to the precrisis level of production, and therefore consumption too (although the structure will be different) could be a return for a certain temporary period of time, for example, to the end of the three-year plan, to a 6-day work week in certain branches of industry which are not suffering from a shortage of raw and other materials, but there would have to be public acceptance of such a plan. Therefore, in the course of consultation, we expect, for example, answers to question concerning whether the public would prefer:

- a) a more rapid reconstruction to the precrisis level of consumption at the cost of temporarily giving up the 5-day workweek in those branches of industry and areas of the economy whose development is not being limited by the supply of raw materials, or, on the other hand,
- b) maintenance of the 5-day workweek, and therefore more free time, at the cost of extending the period it takes to reach the precrisis level of consumption.

Even now part of the plants included in the militarization program are working Saturdays too. Some others are suffering a shortage of supply of imported materials, and we can expect that in these it would not be to any purpose to work Saturdays, because no production effects would be gained. On the other hand, there are also many enterprises not operating on Saturdays, despite existing possibilities of doing so. It is initially estimated that the restoration of work on Saturdays in those enterprises not suffering major supply difficulties could result in the following:

- a) increasing the level of industrial production in 1985 by 4-5 percent in relation to current targets,
- b) increasing national income by 2-3 percent respectively,
- c) exceeding the precrisis level of industrial production even in 1984, that is, a year earlier, and accelerating the attainment of the precrisis level of national income and consumption by at least half a year and perhaps even a whole year, because the first effects obtained can have an impact to improve the supply situation and accelerate production growth.

Therefore, one of the basic choices which should be made during the three-year period is the choice between reducing the time it takes to get out of the crisis at the price of bringing back work on Saturdays and keeping Saturdays free at the cost of extending time it takes to get back to the precrisis level of production and consumption.

#### Goals and Tasks of the Plan

On the basis of an assessment of the internal and external conditions and an analysis of social needs and their satisfaction, the goals of the plan were formulated.

It is a major economic problem and at the same time a strategic goal of the 1980's to overcome the crisis, to restore economic balance, and to create the foundations for a healthy economy in conjunction with full implementation of the economic reform.

Exceptionally forceful developmental restrictions during the next few years and the need for active efforts to mobilize and activate the economy make it necessary to reduce the scope of social goals in the plan for 1983-1985.

The three-year plan contains proposals to undertake the following three major social goals:

- to insure the nutrition of the nation, while reducing as much as possible the dependence on imports of grain and foodstuffs,

- to satisfy housing needs to the greatest extent possible in the anticipated economic situation along with the related needs for the development of the urban and neighborhood infrastructure,
- to protect those strata and groups of the population in the worst material situation from the effects of the crisis, while the state takes active measures to reduce or eliminate areas of poverty,
- to strive for noticeable improvement in the satisfaction of society as the consequence of better organization and operation of public life.

Alongside improving the market situation, very important to the attainment of the last goal is special concern for everything which can have an impact on upgrading the conditions of the society's daily life and on improving relations between the authorities and the citizenry. An attempt is projected for the improvement of the citizen's budget of time. This will require an organized effort to reduce time wasted as the result of standing in lines, irregularities in public transportation schedules, bad conditions for making purchases in shops, and delays in getting things taken care of in public agencies. There are plans to establish operating hours in establishments serving the population (shops, services, official agencies) in such a way as to insure the convenient handling of all affairs outside the clients' working hours.

As the situation improves and additional funds are gathered together, even during this decade there are plans gradually to undertake efforts (which then would be stepped up in the 1990's) in the following three areas:

first -- to slow the progressive deterioration in the natural environment and to reduce the threats occurring in this area, and in particular to gain improvement in water quality and reduce gas contamination of the air, especially in Silesia;

second -- gradually to overcome delays in structuring the living conditions of the population of large urban centers, especially heating and water supply, the equipping of new housing settlements with service installations, and the upgrading of public urban transportation;

third -- to accelerate the development of public health, culture, education, and science and information, and in these areas to reduce the gaps between the needs sensed by the society and the satisfaction of these needs. This is also important because of the role which these areas play in the development of man's personality.

Table 2 presents a possible scale for expanding budget-financed outlays for socio-cultural purposes along with variants for the structure of these outlays. In presenting the three variants for the distribution of budget-financed outlays for these purposes, we propose to assume that the development of public health and culture will be given priority.

Table 2. Variants for Budget Allocations for Social-Cultural Purposes  
in current prices

	1982		1985 (a) Variant II			(g)
	(b)	(c)	(d)	(e)	(f)	
	w mld zł	w %	podwariant "a" "preferencji dla oświaty"	podwariant "b" "preferencji dla zdrowia i kultury"	podwariant "c" "bardziej równomiernego wzrostu wydatków na zdrowie, oświatę i kulturę"	1990 variant II podw. "b"
Budget-financed expenditures for social-cultural purposes						
1982 = 100 breakdown:						
I. Index (percentages)						
1. Education -- total						
a) General schools and vocational schools						
b) Higher education						
2. Culture and art						
breakdown:						
Radio & TV committee						
3. Public health						
4. Social welfare						
5. Physical education, sport						
6. Tourism and recreation						
II. Science						
II. Structure in percent						
I. Education -- total						
breakdown:						
a) General schools and vocational schools						
b) Higher education						
2. Culture and art						
breakdown:						
Subsidy for enterprises						
Radio & TV Committee						
3. Public health						
4. Social welfare						
5. Physical education, sport						
6. Tourism and recreation						
II.a. Science						
*in relation to national income for distribution on outlays financed out of the budget, total outlays in 1982 amounted to 1.8 percent of the income for distribution						
Wydatki budżetowe na cele socjalno-kulturalne						
I. Wskaźnik w %						
1982 = 100						
z tego:						
1. Oświata -- razem						
a) szkolnictwo ogólnokształcące i zawodowe						
b) szkolnictwo wyższe						
2. Kultura i sztuka						
w tym:						
Komitet ds. RiTV						
3. Ochrona zdrowia						
4. Opieka społeczna						
5. Kultura fizyczna i sport						
6. Turystyka i wypoczynek						
I. a. Nauka						
II. Struktura w %						
1. Oświata -- razem						
w tym:						
a) szkolnictwo ogólnokształcące i zawodowe						
b) szkolnictwo wyższe						
2. Kultura i sztuka						
w tym:						
dotacja dla przedsiębiorstw						
Komitet ds. RiTV						
3. Ochrona zdrowia						
4. Opieka społeczna						
5. Kultura fizyczna i sport						
6. Turystyka i wypoczynek						
II. a. Nauka						
* w stosunku do dochodu narodowego do podziału: tylko wydatki finansowe z budżetu, całość nakładów stanowiła w 1982 r. 1,8% dochodu do podziału.						

[Key to titles of columns (a)-(g)]:

- (a) Variant II (b) in billions of zlotys (c) in percent
- (d) subvariant "a" -- priority for education
- (e) subvariant "b" -- priority for health and culture
- (f) subvariant "c" -- more equal increase in expenditures on health, culture, and education
- (g) 1990 variant II, subvariant "b"

The implementation of the plan's strategic goal, the overcoming of the crisis and the restoration of balance, will depend on the slowing of declining trends in 1982. Generally speaking we anticipate that the reversal of previously adverse trends in production and the onset of a gradual increase in production can be obtained in variant II in industry in 1983, and in agriculture, depending on what the weather conditions are like, in fiscal 1983-1984 or the next year.

Special emphasis in the concept of the plan is placed on achieving market balance, owing to the fact that this is presently the most sensitive problem and directly affects every citizen, and also owing to the important role which the proper functioning of the market and trade have in providing the society with an incentive to work and increase its productivity.

It is estimated that in the event the targets of the three-year plan are met there is a chance of overall balance by 1985 between the cash income of the population and the supply of goods and services, provided that the population income growth remains in the proper proportion to the increase in labor productivity and the supply of goods and services.

On the other hand, by 1985 we will still not fully balance the population's demand for certain items, and the per capita level of consumption will be lower than before the crisis in 1980. Nevertheless we can expect noticeable improvement in normalizing the market situation, and the purchase of commodities will depend on the patron's buying power. This should create conditions for gradually getting away from rationing.

Thus, normalization of the market would be the main thing the citizen would notice as the result of the implementation of the three-year plan.

Noticeable improvement should also be obtained in the investment situation, provided that the investment front continues to be reorganized so that priority is given to the completion of investments in the advanced stages. This depends to a great extent on the enterprises: the investors and contractors. It is estimated that the level of involvement in unfinished investments, or the amount of outlays needed to complete investments which have been begun (after the suspended ones have been eliminated), would decline in 1985 to a level of 70-75 percent of the 1982 level and about 50-55 percent of the 1980 level. This commitment would decline in the middle of the next five-year period to the size of 150-200 percent of annual outlays, compared to the equivalent of more than 3 years of outlays in 1980.

On the other hand by 1985 we cannot resolve the balance-of-payments problems. The level of indebtedness in both the capitalist and socialist countries in 1985 will be higher than in 1982, and the scale of increase in indebtedness will depend on the foreign debt service concept negotiated. In the event that credit relations with creditor countries

are normalized as the result of appropriate negotiations and an increase in exports, there are opportunities for a gradual improvement in the balance and a reduction in the scale of the backlog from debts related to foreign debt service. This would mean some ease in the balance-of-payments situation, although it would still not spell its solution.

Overall, the concept of the three-year plan presently being given will create chances for the rebuilding of economic equilibrium by 1985 in basic sectors or at least the restriction of the action of the main causes of the imbalance. This should create conditions for a transition to balanced development in 1986-1990.

Alongside the gradual gaining of freedom of action throughout the next five-year period (1986-1990) the need to service the foreign debt will exert a strong impact on economic development. This need will cause a reduction in the national income for distribution in the country and therefore a restriction on the possibilities for development. The scale of this factor's impact will depend to a great extent on the increase in our export capabilities and on the expansion and deepening of cooperation and integration with CEMA countries.

#### Basic Indicators of the Development of the Economy

The targets of the plan assume a real possibility to expand industrial production in 1983-1985, and depending on the variant this growth ranges between 12 and 17 percent, that is, a mean rate of from 3.8 percent to 5.4 percent per year. This would make it possible in variant II to reach by 1985 basically the pre-crisis level of production.

Depending on the weather for agriculture, the increase in agricultural production in 1983-1985 is estimated at from 6 to 12 percent. Given average conditions and a total agricultural production growth over the 3 years of about 10 percent, by 1985 this production would basically reach the 1978 level, that is, the highest level achieved prior to the crisis.

As a result created national income could increase by 11-18 percent in 1983-1985, depending on the variant, which is an average of from 3.5 percent to 5.6 percent per year, depending on the variant. Unlike industrial and agricultural production, by 1985 it will not reach the highest precrisis level. It is estimated that depending on the variant national income can reach 82-87 percent of the highest previous level, which was reached in 1978. The lower rate of reaching the precrisis level of created national income will result especially from the lower level of production in the construction industry (related to investment restrictions) and the added costs related to underuse of existing production capacity, a factor which reduces the level of net production (and thereby also that of national income).



It is projected that beginning in 1982 there will be a turn-around in relation to the 1970's in the ratios between the increase in created national income and that remaining for distribution in the country. In connection with incurring foreign credit, the increase in income for distribution in the country greatly exceeded the increase in created income, but beginning in 1982 the increase in national income for distribution will be slower than the growth of created national income, owing to the fact that a larger share of this income will be allocated for foreign debt service. The balance of foreign trade turnovers in 1985 will reduce created national income by 3-4 percent, depending on the variant. In this connection the increase in income for distribution in 1983-1985 can amount to from 9 to 15 percent.

Total national income for distribution in 1985 would represent only from three-quarters to four-fifths of the highest precrisis level (1978). This will have a great impact on the distribution of national income in all the variants, as we have shown in Table 3.

Table 3. Variants for the Allocation of Income for Distribution for Consumption and Investments

(a)	1985				(f)
	(b)	(c)	(d)	(e)	
Wariant II	1982 p.w.	Podwariant "a" "ochrony spożycia"	Podwariant "b" "ochrony inwestycji"	Podwariant "c" "maksymalizacji spożycia"	1990 Podwariant "ochrony spożycia"
I. Wskaźnik 1982=100					
Dochód do podziału	100	113	113	113	135
w tym:					
spożycie ogółem	100	111	106	115	133
akumulacja	100	122	140	105	142
w tym:					
— inwestycje netto	100	95	113	78	105
la. Inwestycje brutto	100	100	114	87	115
II. Przyrost w mld zł w sto-					
suńku do 1982 r.	—	496	496	496	1 332
Dochód do podziału	×	336	200	460	1 022
w tym:					
Fundusz spożycia	×	160	296	36	310
Fundusz akumulacji	×	—40	96	—164	40
z tego:					
Inwestycje netto					
III. Struktura w %/0					
Dochód do podziału	100,0	100,0	100,0	100,0	100,0
w tym:	80,6	79,1	75,9	82,0	79,6
Spożycie ogółem*)	80,6	83,0	79,6	86,0	84,0
Akumulacja	19,4	20,9	24,1	18,0	20,4
z tego:					
— inwestycje netto	19,4	16,2	19,4	13,3	15,1
IIIa. Udział inwestycji brutto					
w dochodzie brutto	25,5	22,6	25,6	19,9	21,3

[Key to Table 3]

- (a) Variant II
- (b) 1982 subvariant
- (c) Subvariant "a" -- "protection of consumption"
- (d) Subvariant "b" -- "protection of investments"
- (e) Subvariant "c" -- "maximization of consumption"
- (f) 1990 subvariant -- "protection of consumption"

I. Index 1982 = 100

Income for distribution

    Total consumption

    Accumulations

        Net investments

Ia. Gross investments

II. Billions of zlotys increase in relation to 1982

Income for distribution

    Consumption fund

    Accumulation fund

        Net investments

III. Structure in percentages

Income for distribution

    Total consumption\*

    Accumulation

        Net investments

IIIa. Share of gross income devoted to gross investments

\*In the numerator we have given the share of total income for distribution, and in the denominator the share of income computed without any increase in stocks, because the high growth rate of stocks and reserves in relation to the low level in 1982 would distort the structure of national income distribution.

If we select variant II as most likely as a basis, then we need to make a choice between:

a) maintaining until 1985 the level of investments reached in 1982 in such a way that the maximum share of the increase in income may be allocated to consumption, that is, the variant of protecting consumption ("a"), which would go along with a further decline in the share of national income devoted to investments,

b) maintaining until 1985 the share of national income going for investments at the level achieved in 1982, which would require increasing net investments by about 100 billion zlotys, or the subvariant of protecting investments ("b"),

c) increasing the share of the national income going for the consumption fund in relation to 1982 at the cost of a great reduction in both the absolute level of investments and their share, that is, the consumption maximization variant ("c").

In presenting the consequences of all the subvariants under review, we are proposing the adoption of the subvariant of protection of consumption ("a") as the basis in the three-year plan, along with a freeze on the overall investment size at the 1982 level until the year 1985.

This variant contains the opportunity to expand the overall sizes of the consumption fund in 1985 by about 11 percent over the 1982 levels, while keeping investment outlays at the 1982 level until the end of the five-year period. At the same time this would mean in 1985 reaching about 94 percent of the highest level of consumption out of personal income, that is, that of 1980, and in connection with the rise in population, about 88 percent per capita.

On the other hand, in assessing these indicators we should keep two important factors in mind:

first, that the level of consumption in 1980 was reached partly at the cost of foreign debt,

second, that such a level of consumption was reached in 1980 with a six-day workweek. We can estimate that 4-5 percent of the consumption fund was based on consumer goods produced during Saturday working hours.

The next choice consists of the ratios for distributing total consumption for consumption out of personal income and collective consumption, or, what is called "other," consisting mainly of state budget financing of expenditures for social and cultural purposes. The choice in this area basically boils down to answering the question: How should the society's income be structure? Should we take the route of increasing personal income or that of collective consumption?

Hence, in this case we must choose between:

- a) maximum possible increase in consumption out of personal income, even at the cost of collective consumption, or "priority for private individual consumption" ("a"),
- b) maximum possible increase in collective consumption, even at the cost of individual consumption, or "priority for collective consumption" ("b"),
- c) more equal rise in individual and collective consumption ("c").

In keeping with this choice, a larger share of resources would be directed to increase the population's personal income or to increase state budget-financed expenditures for collective consumption purposes, as Table 4 illustrates.

In presenting the consequences of all the subvariants under review, we are proposing the adoption of the subvariant of "more equal increase in the level of individual and collective consumption" ("c") as the basis of the three-year plan.

Table 4. Variants for Allocating Income for Distribution for Personal and Collective Consumption

	(a) Podział spożycia w wariantcie II	(b) 1982 p.w.	1985				(f) 1990*) Podwariant „a”
			(c) Podwariant „a” preferencji spożycia indywidualnego	(d) Podwariant „b” preferencji spożycia zbiorowego	(e) Podwariant „c” z bardziej wyrównanym wzrostem spożycia indywidual- nego i zbiorowego		
I. Index 1982 = 100	I. Wskaźnik 1982 = 100						
Total consumption	Spożycie ogółem	100	111	111	111	133	
breakdown:	w tym:						
-- from personal income	-- z dochodów						
-- total	osobistych ogółem	100	113	107	110	132	
-- per capita	-- na 1 mieszkańca	100	110	104	107	124	
-- other	-- pozostałe	100	100	135	115	142	
of this:	z tego:						
material consumption for	spożycie materialne						
social-cultural purposes	na cele społeczno-						
total	-kulturalne ogółem	100	100	125	113	137	
per capita	na 1 mieszkańca	100	97	122	110	128	
II. Billions of zlotys increase	II. Przyrost w mld zł						
in relation to 1982	w stosunku do 1982 r.						
Total consumption in billions	Spożycie ogółem w mld zł	--	236	236	236	1022	
breakdown:	w tym:						
-- from personal income	-- z dochodów osobistych	--	236	164	262	818	
-- other	-- pozostałe	--	8	170	74	204	
of this:	z tego:						
material consumption for	spożycie materialne						
social-cultural purposes	na cele społeczno-	--	8	84	28	80	
III. Structure in percentages	III. Struktura w %						
Total consumption	Spożycie ogółem	100,0	100,0	100,0	100,0	100,0	
breakdown:	w tym:						
-- from personal income	-- z dochodów osobistych	84,1	83,7	80,4	83,5	83,1	
-- other	-- pozostałe	15,9	14,3	19,4	16,5	16,9	
of this:	z tego:						
material consumption for	spożycie materialne						
social and cultural	na cele społeczno-						
purposes	-kulturalne	7,1	6,4	8,0	7,3	7,3	
* [see column f]	*) przy przyjęciu poziomu spożycia ogółem z wariantu II pod-						
assuming the total consumption	wariant „a” z tabl. 2						
level of variant II, subvariant							
“a” in Table 2.							

[Key to headings of columns (a)-(f)]:

- (a) Distribution of consumption in Variant II
- (b) 1982 subvariant
- (c) Subvariant "a" with priority for individual consumption
- (d) Subvariant "b" with priority for collective consumption
- (e) Subvariant "c" with a more even increase in individual and collective consumption
- (f) 1990\* Subvariant "c"

In these assumptions the rest of consumption would increase in 1983-1985 by about 9-19 percent, that is, on an average of from 3.2 percent to 3.9 percent per year, which means at a somewhat faster rate than consumption out of personal income.

Within the framework of this direct expenditures out of the budget made for social and cultural purposes would increase correspondingly by 13 percent during this period in terms of constant prices.

The share of net investments in variant II and "protection of consumption" subvariant in 1985 would amount to 16.2 percent of total income for distribution, and the share of gross investments would be about 23 percent. This would mean in 1983-1985 maintaining investment outlays at the level achieved in 1982, that is, at nearly a billion zlotys per year, calculated in terms of new prices.

The determination of macroratios for 1986-1990 is far more difficult than for 1983-1985. The risk of underestimating our economy's real capabilities in this period is far greater, because after 1985 the positive effects of the reform should become noticeable. On the other hand, there is no accurate way of now specifying accurately just what they will be. For this reason the targets currently being adopted for 1986-1990 should be treated merely as provisional sizes.

With these reservations there is the chance of increasing industrial production in 1986-1990 by 19-28 percent, that is, on an average of 3.5-5.1 percent per year (Table 1). This would make it possible in 1990 to exceed the highest precrisis level by about 20 percent (in variant II).

In agricultural production the projection for 1986-1990 is for an increase of from 8 to 15 percent (depending on the variant). If these targets are met, in 1990 agricultural production will exceed the level of the most favorable precrisis year (1978) by 8-15 percent.

On the other hand, it is estimated that created national income could increase in 1986-1990 by about 18-31 percent in relation to 1985, which is an average of from 3.4 to 3.6 percent per year, depending on the variant. Hence, the attainment of the precrisis national income level would be possible in 1986-1987 in the light of these assumptions.

It is also estimated that variant II would include the chance to increase total consumption in 1990 by 33 percent in relation to 1982. Taking into account the rise in the population, about the year 1989 it would be possible to reach the precrisis per capital level of consumption, and by 1990 it would be possible to exceed it slightly, but the structure of that consumption would be different.

In this case investment outlays in 1990 could be about 15 percent higher than in 1982, except that they would represent about 77 percent of the 1980 level of investment outlays and about 62 percent of the level of the peak year in this respect, 1978. The return to the 1978 investment

level by 1990 is not at all possible or desirable. The possible further expansion of investment outlays prior to 1990 could only occur at the cost of an extended limiting of per capita consumption out of personal income to a lower level in relation to 1980.

It is estimated that other consumption in 1986-1990 could increase by about 23 percent, that is, on an annual average of about 4.2 percent.

Improved Management Effectiveness the Main Way to Accomplish the Plan's Tasks and Social Targets

A basic condition to implementing the above-mentioned goals and tasks of the plan is the improvement of overall management effectiveness, particularly in the realm of material production as a basis for an increase in consumption and the social activity of the state.

This is particularly important in the present situation, because during the past 6-7 years there has been a general decline in effectiveness and a rise in production costs, which had a very adverse impact and made the crisis worse.

In order to achieve improved effectiveness, action is essential in two directions. First is the attempt to improve management effectiveness in the enterprises. The main plane for resolving this problem should be the utilization of those economic reform mechanisms contributing to greater management effectiveness. The second direction is action to utilize the possibilities for improved production effectiveness on a national scale through changes in the structure of production and the distribution of resources, particularly for the branches, sub-branches, plants, and goods with the highest degree of effective processing of raw materials and a great input of technical thought.

It is estimated that in the most realistic variant, variant II, given the projected mean annual national income growth rate in 1983-1990 of about 4 percent, at least one-quarter of this growth should be accomplished through improved effectiveness.

The main source of improved effectiveness should be a decline in unit consumption of energy, raw materials, fuels, and other materials. It is estimated that during the next 8 years, to the year 1990, it is possible to increase industrial production by about 40 percent, but the analyses being made show that during the same period the supply of 40 basic industrial raw materials (domestically produced and imported) can increase by about 19 percent. This means that a condition for reaching the projected rise in production is the attainment during that period of a unit decline in the consumption of these raw materials approximating 14 percent, or 1.9 percent per year on the average.

## II. Major Directions of Socioeconomic Policy

### Policy for Rebuilding the Structure of the Economy

An important direction in activating the economy and increasing national income should be the rebuilding of the structure of the economy in 1983-1990. The initiation of this reconstruction should be an important element of the three-year plan. Rebuilding the structure means gradually to shift resources to those branches and sub-branches whose development will insure that the targets of the plan are reached. Here it is a question, for example, of more rapid development of production based on available raw materials with the aid of technologies which will insure the effective utilization of energy and raw and other materials. Reduction of the energy- and material-intensiveness of production is one of the most urgent tasks related to rebuilding the structure of the economy.

Given the difficulties in balancing supply and demand of fuels and energy and the shortage of the fuels derived from imported petroleum and natural gas, the saving of fuel, coal, and electric power is a necessity. It is estimated that the rise in the production capacity in hard coal mining derived from new investments will merely balance the projected declines in production capacity associated with the exhaustion of deposits in certain mines.

A problem which will be especially difficult to resolve between now and 1990 will be the satisfaction of the economy's demand for high-methane gas and petroleum. It will be necessary to obtain additional deliveries of imported petroleum and high-methane gas, for example, in exchange for coal, coke, and other raw materials.

Until the gas shortage problem is resolved, we should see that gas deliveries to the population and for fertilizer production receives priority, even at the cost of restricting the consumption of gas in other areas.

The situation in the balance of solid fuels will be temporarily alleviated by the projected rise in the extraction of lignite, an increase from the 38 million tons in 1982 to 59 million tons in 1985 and 75 million tons in 1990.

Nonetheless, the fuel and energy situation will rise to the ranks of one of the major economic problems of the 1980's and will demand separate, in-depth attention.

It should be another important direction of efforts to increase the effectiveness of utilization of metallurgical items in industry and in construction. It is necessary at the same time to change the structure of metallurgical production so that a larger share of production consists of steel for implements and bearings and high-grade construction steels.

Another important direction of effort is the better utilization of domestic raw materials. This means giving priority to developing those industrial branches that are based on the processing of domestic raw materials and, where justified, the basing of production on domestic raw materials. This applies in particular to mineral raw materials. This should be accompanied by some qualitative improvement in the management of local, waste, and recycled raw materials. The share of total raw materials used that comes from recycled raw materials in the country should increase from about 10 percent at present to 15 percent in 1990.

It is very important to reduce delays in the development of the chemical industry. Here it is a question of replacing to the greatest possible extent imported raw materials and partly finished products from the capitalist countries with domestic raw materials and domestic products of synthesis along with raw materials imported from CEMA countries.

The problem of accelerating the development of the chemical industry will require additional attention and solutions in the three-year plan, because current analyses show that without special efforts, the production increase achieved during the next few years in the chemical industry will not be adequate to overcome the imbalances which appeared during the 1970's.

A strategic direction for rebuilding the structure of the economy should be to gear industry to exports on the basis of economically effective production specialization. The relatively low export level is presently one of the major imbalances in the structure of the Polish economy. Export growth in both the short-term and long-term future will be a factor hampering our import capabilities, with respect to both the capitalist and socialist countries.

The engineering industry, which is very important for Poland's specialization in CEMA should continue to play an important role in the development of our exports, especially to the socialist countries. The export of complete industrial installations should also play an important role.

Structural changes aimed at gearing the whole economy to better meet the production needs of agriculture are very important in improvements in solving the problems of feeding the nation. It is estimated that production of the means of production for agriculture should increase by about 70 percent within 8 years.

The activation of crop production is one of the major problems in agriculture. It calls for decided improvement in the agrotechnical level, the expansion of application of fertilizer to 230 kilograms per hectare of cultivated land by 1990, priority treatment for the supply of pesticides, and flood control measures.

An important direction for structural changes in agriculture should be the expansion of domestic production of grain and fodder with the simultaneous reduction in losses during harvests, procurement, storage, and transportation.



In livestock production it is essential to adapt meat consumption and production to the possibilities resulting from our own fodder and livestock base. It is estimated that this will require a temporary limit on meat consumption, perhaps in 1985, to a level not higher than that of the early 1970's (54-55 kilograms per capita). Nonetheless, it is projected that this will accompany a rise in the consumption of milk and vegetables and of milk and vegetable products, and from the physiological and dietetic viewpoint, the mean structure of food consumption will insure that average-level food needs and energy demands will be met. The intensive expansion of milk processing is projected, particularly the production of cheese, which requires, among other things, solution of the problem of storing and transporting fresh milk, including its prompt refrigeration right after milking and its further transport and storage under refrigeration.

An important issue of the plan is the development of agriculture's service-trade structure, including both production service and the storage, processing, and upgrading of farm products.

To ease domestic market shortages structural changes are essential, aimed at increasing deliveries of raw materials for those industries producing market goods and aimed at increasing the total industrial production share devoted to market production in 1990.

The development of small-scale manufacturing and services and the creation of new plants in all forms of ownership should become a significant factor in the development of market and export production.

Consistent with the provisions of the PZPR Central Committee's Politburo and the Presidium of the Democratic Party's Central Committee, efforts will be made to insure an increase in the share of total production of socialized industry devoted to socialized small manufacturing. It is estimated that this share may increase from 5.7 percent in 1982 to at least 7-8 percent in 1990, and together with the crafts and trades, from 7.9 percent to 11-12 percent, respectively.

An important direction in building up the structure of the economy should be intensive development of services in conjunction with shifting labor resources to service activity and with giving priority in the supply of materials.

Given the restricted investment capabilities during the first half of the 1980's, structural shifts will have to come largely through smaller or larger adaptations undertaken in the various branches in cooperation with research and development assistance.

Changes in production structure should be accompanied by changes in the structure of foreign trade. The basic direction should be the deepening of economic cooperation and the further development of integration ties with CEMA countries and giving them new content.

The concept of Poland's share in the processes of socialist economic integration of the CEMA countries will be a component part of the plan to the year 1990. An especially important direction of development of cooperation with the CEMA countries should be industrial cooperation and production specialization.

The exploitation of other socialist countries' role in finishing suspended investments and mobilizing free production capacity in Polish industry is also projected. One of the targets in turnovers of Polish foreign trade is the expansion of the share of developing countries, particularly in those instances in which through exchange with these countries it is possible to obtain the necessary raw materials and partly-finished products where substitution is possible in a cost-effective manner or in cases where there is a possibility of obtaining foreign exchange currency by virtue of exports in excess of imports.

It is estimated that the developing countries' share in Poland's foreign trade turnovers can increase from about 12 percent in 1982 to 15-18 percent in 1990.

It is projected that the major direction of changes in the structure of imports will be an increase in the share of imports for the purposes of supplying industry (excluding fodder and grain) from about 70 percent in 1982 to 76 percent in 1990, while reducing the share of grain and fodder from 9 percent to about 5 percent.

Despite the reduced investment capacity, we plan to insure a proper rise in foreign turnovers and production, and an increase in carrying capacity in transportation, while giving priority to the development of the transport branches which have the lowest unit costs and thrifty energy consumption, which during the next few years may make it necessary to shift transport, where possible, from motor transport to railway transportation or inland navigation.

Priority is projected for 1983-1985 for the development of repairs of rolling stock and equipment, along with the concentration of resources on capital repairs and ongoing maintenance of the transport infrastructure.

The creation of a modern, efficient organizational and economic system of transportation is a basic problem.

The expansion of the structure of the economy will require employment shifts. The essence of the problem boils down to making appropriate staff shifts from one plant to another, especially to the coal industry and other extractive industries, small manufacturing and services, collection and processing of secondary raw materials, forestry, and so on. It is also essential to increase employment in remodelling and repairs, an area which can employ a large number of people, partly because it is so labor intensive.

In agriculture it is projected that there will be a slowing of the employment migration to the cities, especially to the large urban-industrial complexes, in which the housing situation is the most difficult. It is estimated that employment in agriculture to the year 1985 will probably remain at the 1982 level, 4.9 million persons.

On the other hand, an increase in employment is projected in extractive industry.

In processing industry and construction an overall decline in employment is projected, except that there will be some increase in industrial and construction services and in the crafts and trades.

Except for administration, an increase in employment is projected for other largely service sectors of the economy. As a result, the share of total employment in the national economy involving services in the broad sense will increase from 35 percent in 1982 to 39-40 percent in 1990.

The development of services, especially services to the population, will be tied in with increasing employment in the nonagricultural non-socialized economy. It is projected that it can increase from 700,000 in 1982 to 1.1-1.2 million in 1990.

#### Policy of Market Equilibrium and Balancing the Budget

It is estimated that under the existing conditions of limits on raw materials and imports, deliveries of market goods for the population are to grow in 1983-1985 by about 16-18 percent in relation to 1982, calculated in constant prices. From the viewpoint of existing needs, this growth is inadequate, and for this reason the projection is to base market policy on the following principles:

- a) determination of the population's minimum for supply of commodities which are of fundamental significance for everyday family life, and the assurance of corresponding market deliveries, and the prices on these commodities should be official and regulated in nature, and should be subject to control,
- b) sales of other market goods should be a balance (conventional) prices without the population's being compensated in the event prices on these goods increase,
- c) use of possibility of exporting more de luxe market goods and goods which meet needs of a higher order in order in exchange to import raw materials for the production of market goods satisfying basic needs.

It is estimated that to 1985 it will be necessary again to increase retail prices, except that its scale will decrease year by year. While in 1982 the mean increase in prices may approximate 100 percent, and in 1983 it will still be about 25 percent, it is estimated that by 1985 it

will be possible to reduce price increases to about 10 percent or even less. The anticipated relatively great price increase in 1983 (25 percent) is the result of price changes made in 1982 in the anticipated rise in the prices of public transportation rates and the need to increase certain official prices to partially eliminate budget subsidies. On the other hand it is assumed that control will be activated over increases in the prices of goods and services made in a decentralized manner. In connection with the price rise in 1983-1985 we anticipate the use of certain forms of recompensation to make up for the rise in the population's expenditures and the minimalization of the effects of inflation for those social groups and families economically most disadvantaged.

The attainment of overall balance by 1985 will still not mean full satisfaction of market needs. The most difficult situation will be found in the supply of meat, goods of light industry, especially clothing and footwear, and the upper-level item assortments of durable goods, that is, in relatively important market areas.

On the other hand, we can anticipate noticeable improvement in the supply of dairy items, fruits, and vegetables; insofar as industrial items are concerned, [there will be improvement] in standard durable items and also in the means of production for rural areas, laundry products and toiletries.

Assuming the realistic assumption that for the next few years the policy will continue to be waged under conditions of inflation, the development of state antiinflation action is also projected.

It is anticipated that the policy of savings in budget-financed expenditures, especially for administration, and the adaptation of state social policy to the realities stemming from the anticipated continuation for years of the national income for distribution overall at a level no higher than the 1980 level, will continue.

As a result, the growth rate of budget-financed expenditures for social-cultural facilities, except for the effects of decisions already made, must be moderate, but there is no possibility of these expenditures' increasing until we gain an increase in production and improvement in effectiveness in the material production sphere, because this would cause the acceleration of the inflationary processes.

The variants for allocating budget-financed resources for social and cultural purposes are presented in Table 2, which illustrates on the one hand the limited field for maneuvering and shows on the other hand the difficulties in making a choice in this area.

#### The State's Social Policy

Owing to the whole shaping of the country's economic situation in 1983-1985 it will be possible to allocate for social benefits only that amount of resources that is essential to insure social protection for those population

groups in difficult material circumstances, but for state financing of social and cultural services it will not be possible to allocate any greater share of total budget expenditures than previously.

At the same time we should take into consideration the fact that as the consequence of past and forecast demographic processes, there will be an approximate one-quarter increase in the burden actively employed persons bear in maintaining persons who are not employed (population said to be not of production age, that is, pensioners and retired persons, children and young people, mothers with maternity leave to raise children) to the year 1990.

In connection with the above, it is proposed that the state's social policy for 1983-1985 be based on the following major principles:

- adaptation of the scope of state care-taking functions to the state's current financial and economic capabilities, especially the reduction in the state's caretaking functions to limit them to those population groups in the most difficult material situation, people living in poverty or running the risk of poverty, and people who are handicapped or unable to improve their situation through the effects of gainful employment,
- state bolstering of action in the realm of social assistance conducted by social organizations, churches, places of employment, and regional self-government,
- redistribution of part of the income of population groups obtaining large incomes to improve the situation in areas determining the society's living conditions (public health, education, culture, public transportation),
- execution of major changes in the approach to the housing issue, that is, by gradually increasing the population's own contributions as a share of total costs of building and operating housing, and treating housing constructed through a large share of a citizen's own income as his personal property; the state, on the other hand, would provide appropriate credit assistance, would provide contracting potential and material supply for the construction, and would develop municipal construction for those population groups which are in exceptionally difficult material circumstances.

It would be the general trend in state policy to create an equal opportunity for citizens in all areas of life rather than an equalized income level. This level would largely depend on the individual's way of taking advantage of the opportunities provided.

Among the social goals, it is proposed that top priority be given to public health. In this year, three basic targets should be dealt with in this area to the year 1985: 1) meet in full the demand for medications, 2) insure noticeable progress in basic regional health care, 3) attain further progress in care of mothers and children.

It is projected that after 1985 there will be a further expansion of the funds allocated for public health, particularly for those purposes in the realm where, owing to economic reasons, it will not be possible to make satisfactory progress prior to that year.

In the area of culture, until 1985 it is proposed that priority be given to those goals related to the reading of books, that is, assuring a basic increase in printings of books, modernization of printing facilities, and completion of construction of the National Library.

It is projected that this will be accompanied by the development of all forms of cultural participation and action to eliminate imbalances in meeting cultural needs from one group or region to another, especially between the urban and rural areas.

In the area of education, it is proposed that top priority to 1990 be given to providing for preschool care. This will require in particular the making up of delays in building preschools in new housing developments. To the year 1990 the plan is to insure the attainment of the neighborhood urban planning norm, which means creating preschool places for at least 70 percent of the children residing in the development.

At the same time there are plans to draft a future concept of a modern system of education, assuming that a general reform in the national educational system is introduced in the years 1990-2000.

In higher education we project further improvement in the quality and effectiveness of education, upgrading of the model of higher education, modernization of programs of study, and adaptation of the scheme of the institutions of higher education to fit the needs and capabilities of the country.

The basic assumption of social policy is to insure the family its proper place, as the basic element of social policy. The state's care-taking functions will be accomplished to a broader extent in relation to those families in the gravest material situation.

In particular efforts are projected to better meet the needs of the young family during its most difficult period of existence, including, for example, expansion of production of food for children, insuring the proper quantity and quality of essential items and ready-to-wear for infant care as well as that of necessary products for older children, and the expansion of holidays for families with children and forms of active recreation for children and young people.

Among other things, the improvement of the family's living conditions will require implementation of the next stage of reform of family benefits and allowances, efforts to combat a decline in the real value of the cash benefits paid to families, and the expansion of aid to single-parent families out of the alimony fund.

In state policy, in relation to certain population groups we project the consistent realization of the government program for improving the conditions for young people's start in life and on the job.

It is anticipated that we will inculcate the principle that young people entering vocational and family life will avail themselves of state aid in the form of a system of loans, credit, and subsidies later returned to society in the form of repayments, work contribution, or the younger generation's discharging its obligations in a manner which brings about general social benefits. This help, on the other hand, should not take the form of donations.

In order to create for the younger generation the conditions and opportunities to create its own fate independently, it is necessary to seek new, socially and economically attractive forms encouraging young people to take an active part in modernizing the country's social life and economy, with special attention to young people's assuming joint stewardship in the places of employment in the form of participation in cooperative and worker self-governments and in regional self-governments in the place of residence.

In relation to people of nonemployable age, the plan first of all is to resolve the problems of their material existence. This goal will be met through the gradual elimination of the old pension and retirement pay file, in the establishment of benefits greater consideration for retired persons with many years of service, introduction of a variable level of lowest retirement pay and pensions, reduction of imbalance occurring in the level of benefits, and more favorable principles for cancellation of pensions and retirement benefits in the event of gainful employment.

Efforts will be made to take greater advantage of the older generation's knowledge and experience in social life. There are plans to activate social welfare with regard to the elderly. To this end, for example, it is projected that local and institutional aid rendered by social organizations with state aid will be integrated, and particular consideration will be given to assistance in the retired person's place of residence.

In relation to the generations of working age, the major effort will be directed to improving occupational health and safety conditions and to stepping up the battle against civilized diseases. In particular conditions will be created to remove the most serious risks stemming from toxic agents, air and noise pollution, and vibration.

#### Investment Policy

Under the economic reform's conditions, an essential element of investment policy will be reduction of the state's direct influence on the investment activity for central investments and the investments of voivodship officials made from central subsidies. The size and allocation of investment outlays of state and cooperative enterprises and the population can be encompassed in the plan only in terms of estimates.

State influence on these investments will be exerted mainly by the banks and their credit activity. The targets of credit policy, with consideration for priorities in the three-year plan, and the policy for the structural reconstruction of the economy will set the directions for the banks' awarding credit to enterprises for investments.

The basic factor determining investment policy during the next few years is the fact that in the light of an analysis of the existing possibilities, the overall level of investment outlays in the national economy to the year 1985 either cannot be greater than in 1982 or will be only negligibly higher. Therefore, during that time the essence of the problem may be reduced to the most effective execution of investments already under way.

Investment policy after 1985, in turn, will be influenced by the fact that during the latter half of the decade there will be the "echo" of the increased investments of the 1970's in the form of greatly increasing reproduction needs. It is estimated that in 1986-1990 the reproduction needs will be more or less double those of 1981-1985. It is estimated that by 1990 the share of restitution and modernization investments in industry will increase to about 60-70 percent of total industrial investments, compared to about 25 percent in 1976-1980. In this connection the rank of remodelling will rise.

In connection with the limited investment capability and the reproduction needs to the year 1990, there will be no possibility of undertaking new capital-intensive investments or investments which a long construction cycle, because the limited possibilities for carrying out new undertakings must largely be used for investments in the urban infrastructure, without which future housing construction would be impossible.

It is anticipated that within the framework of the joint volume of outlays during this period, there will be a great increase in the investments which the enterprises finance out of their own development funds.

There will also be an increase in the share of investments which voivodship officials (including socialized housing construction) accomplish, at least from 28 percent in 1982 to 31 percent in 1990, because they will have the greatest impact on the population's standard of living.

Throughout the period to 1990 it is also assumed that priority will be given to investments of the population, especially in the realm of agriculture, housing construction, and services. It is estimated that the share of these investments may increase respectively from 18 percent to 24 percent.

As a consequence there will be a basic reduction in the share of investments which up until now have been carried out as central investments. It may be estimated that the share of these investments in the target model will decline from about 65 percent in 1976-1980 to 20-25 percent of the total investments in the country.



In the distribution of the total investment size by direction, the government will be guided by the decisions of the Ninth PZPR Extraordinary Congress and the resolutions of both the PZPR Central Committee Politbureau and the Presidium of the ZSL Supreme Committee concerning the development of agriculture and the food economy.

These provisions call for the following allocations in relation to total outlays in the national economy:

-- 30 percent for housing complex (including land development and the housing industry),

-- 30 percent for the food complex (including the food industry and industry manufacturing the means of production for agriculture).

In order to carry out the resolutions of the Ninth PZPR Extraordinary Congress, there are plans to activate a program of investments aimed at environmental protection.\*

Owing to the emphasis on justified investment needs in other sectors of the national economy in the course of work up to the present it has been very difficult to develop a variant to insure allocations for the implementation of the two programs, housing and food, totalling 60 percent of all investment outlays in the country.

Table 5, which assumes plant variant II as a basis, presents the three various subvariants for distribution of investment outlays:

1) the subvariant conventionally called the "production subvariant," which gives priority to satisfying production needs; within this subvariant it would be possible to allocate 30 percent of all outlays to the food complex, but this would be at the cost of the housing complex,

2) the subvariant conventionally called the "social subvariant," which assigns the priority to the whole sphere of social consumption, especially the housing complex; in this subvariant it would be possible to allocate 30 percent of all outlays to the housing complex, but this would mean allocating 28 percent of total outlays for the food complex,

3) the subvariant conventionally called the "housing subvariant," which gives high priority to housing construction, in which 35 percent of all outlays would be allocated for that purpose to achieve during the next 3 years an increase in the scope of construction amounting to about 90,000 dwelling units, but at the cost of the other complexes.

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\*In addition, in keeping with the decision made by the Council of Ministers, two long-range investment programs of general social importance have been drawn up: a fuel and energy program and a transport program.

Table 5. Variants for Designating Investment Outlays by Separate Complexes  
(1978 prices)

Variant II Wariant II	(a) 1981-82 p.w.	1983-1985			(e) 1986-90 Podwariant "b"
		(b) Podwariant "a" (produkcyjny)	(c) Podwariant "b" (socjalny)	(d) Podwariant "c" (mieszkaniowy)	
Structure (%) Struktura w %/o	100,0	100,0	100,0	100,0	100,0
I. Food complex I. Komplex żywnościowy	27,12	30,00	28,00	24,00	28,00
breakdown: w tym:					
1) Agriculture (socialized and nonsocialized) 1) rolnictwo (uspołecz. i nieuspołecz.)	19,51	20,00	20,00	16,00	21,00
2) Food and fodder industry 2) przemysł spożywczy i paszowy	4,81	6,00	5,00	5,00	5,00
3) Industries producing means of production for agriculture (chemical industry, electric machine industry) 3) przemysły wytwarzające środki produkcji dla rolnictwa (elektromaszynowy, chemiczny)	2,80	4,00	3,00	3,00	2,00
II. Housing complex II. Komplex mieszkaniowy	28,16	25,00	30,00	35,00	30,00
breakdown: w tym:					
1) Housing construction (socialized and nonsocialized) 1) budownictwo mieszkaniowe (uspoł. i nieuspoł.)	21,98	18,00	23,00	27,00	23,35
2) Building up the infrastructure (municipal economy) 2) zbrojenie terenów (z działu gospodarka komunalna)	4,61	4,50	5,00	5,50	4,75
3) Housing industry 3) przemysł mieszkaniowy	0,56	1,50	1,00	1,50	1,00
4) Heating 4) ciepłownictwo	1,01	1,00	1,00	1,00	0,90
III. Social Consumption Sphere (excluding housing construction, nurseries, preschools, and neighborhood schools) III. Sfera konsumpcji społecznej (bez bud. mieszkaniowego, żłobków, przedszkoli i szkół osiedlowych)	6,00	5,00	6,50	6,50	7,00
breakdown: w tym:					
1) Health 1) zdrowie	2,02	2,00	2,50	2,50	2,50
2) Education 2) oświata	1,88	1,50	2,00	2,00	2,00
3) Higher education 3) szkolnictwo wyższe	0,40	0,30	0,30	0,30	0,40
4) Culture and art 4) kultura i sztuka	0,27	0,25	0,40	0,50	0,60
IV. Fuel and Power Complex IV. Komplex paliwowo-energetyczny	11,19	12,50	11,50	11,50	12,00
V. Other V. Pozostałe	27,54	27,50	24,00	23,00	23,30
1) Industry (except industries included in complexes) 1) przemysł (poza przemysłami ujętymi w kompleksach)	13,42	13,30	10,20	9,40	8,90
2) Transportation, communication including railroad transportation 2) transport i łączność	7,90	7,50	7,00	7,00	7,50
breakdown: w tym transport kolejowy					
3) Forestry 3) leśnictwo	2,80	3,00	3,00	3,00	3,30
4) Construction 4) budownictwo	0,49	1,00	0,90	0,90	0,80
5) Trade 5) handel	2,50	2,00	2,30	2,50	2,00
6) Rest of municipal economy including the Metro 6) pozostała gospodarka komunalna	1,37	1,30	1,50	1,40	1,50
breakdown: w tym "Metro"					
VI. Of total number industry total VI. Z liczby ogółem przemysł ogółem	33,53	38,00	31,40	31,10	29,50

[Key for titles of columns (a)-(e)]

- (a) 1981-1982 subvariant
- (b) Subvariant "a" -- production subvariant
- (c) Subvariant "b" -- social subvariant
- (d) Subvariant "c" -- housing subvariant
- (e) Subvariant "b" 1986-1990

In presenting the consequences of each of these subvariants, there is the expectation that work will continue on the distribution of resources to best meet the needs of the two complexes with priority, the housing complex and the food complex. Here it should be noted that owing to the expanded sphere of independent decisionmaking concerning the investments of the economic units and local authorities, the central plan provisions concerning the allocation of resources are to a large extent estimates and approximations.

#### Regional and Voivodship Development Policy

The limited possibilities of making important changes in the regional structure of the economy through investments and the impending ecological dangers in certain regions will have an impact on state regional policy in the 1980's.

Under these conditions the main target of regional policy to the year 1990 and the supreme goal of regional planning of Poland to the year 1990 should be restricting and slowing the losses in the condition of the environment.

It is essential to organize the regional planning system and to ease the imbalances in it, and in particular to insure that priority is given to investments in the sphere of the technical infrastructure in towns and that essential financial and contracting resources are reserved for the work necessary to avoid deterioration of existing housing resources. As funds become available, we plan to try to reduce the imbalances in development from one voivodship to another and to activate the smaller town-parish centers.

In particular it is necessary to build up the functions of the small- and medium-sized towns with special emphasis on agricultural services, the activation of small-scale industry, and especially the processing of farm raw materials and the development of services.

On the other hand, in the great urban areas efforts are planned largely for improvements in the functioning of existing regional structures and facilities of the infrastructure and for measures to slow any decline in living conditions. The latter applies particularly to the southern and central areas.

It must be a general target of regional policy to organize the allocation of outlays for voivodship investments financed through central subsidies. Here a choice must be made among various variants which take into account the results of consultations concerning plan targets with the voivodship people's councils, and this will be particularly difficult, owing to the great needs.

In environmental protection policy it is considered useful to emphasize efforts to avoid spreading pollution to regions in which the standards in effect are not being violated yet, because this direction of effort is the most effective and efficient.

In efforts on behalf of environmental protection in the period to the year 1990 the proposal is to assign priority to Katowice Voivodship, especially the Upper Silesian Industrial Region, the voivodships along the sea-coast, Krakow Voivodship, and in the realm of air pollution, additionally the Legnice-Glogow Copper Region and the towns of Plock and Walbrzych. Regional environmental protection programs forming an integral part of the plan to the year 1990 should be drawn up for the regions of Silesia and Wybrzeze.

In investment policy in the realm of environmental protection, subvariants were reviewed with the anticipation of giving priority to water pollution or a more equal distribution of outlays for various individual directions of environmental protection. The subvariant of moderate priority for water pollution is proposed for adoption over the next 3 years.

It is projected that state regional policy will be implemented with the aid of the following:

- shift of authority from voivodship officials to the basic units, especially in the realm of the municipal and housing economy, and also environmental protection,
- regional differentiation of compensatory budget subsidies for voivodship officials,
- encouragement of economic activation for regions designated in the plan in keeping with their capabilities, utilizing economic instruments (credit preference, tax incentives, and the like),
- organization of regional links in the economy, for example, through an appropriate system of rates, tariffs, and fees,
- creation of conditions favorable to initiative on the part of local and regional citizens.

#### Policy of Foreign Trade and Cooperation With Foreign Countries

Key significance in the foreign trade policy of the 1980's will be attached to the fundamental expansion of Poland's share in the international division of labor and, in particular, to obtaining a significant rise in profitable exports while reducing as much as possible the increase in imports. This target is important particularly in turnovers with the capitalist countries owing to the necessity of having exports exceed imports in order to repay debts, but exports must also outpace imports in trade with the socialist countries, especially the USSR, owing to Poland's adverse balance of payments during the past few years, a trend which makes gradual repayment a necessity.

Therefore, export growth, which is a condition to an improvement in the balance of turnovers and therefore also to the possibility of undisputed repayment of debt, is a basic condition to balancing trade with the socialist countries and also to gaining payment credibility in the world. It is estimated that in the 1980's the assurance of a consistent increase in exports will be exceptionally difficult given the basic change after 1985 in the situation concerning raw materials exports, which up until now have been the major traditional source of our cash foreign exchange, because after 1985 it is expected that we will have exhausted the possibilities for increasing raw materials exports without new investments, and the possibilities of undertaking any such investments will be extremely difficult. For this reason it will be possible to export raw materials solely on the basis of the production capacity in plants which already exist or in those newly constructed ones which will begin production during that period.

As a result it is estimated that in 1990 the export of raw materials can be only 3 percent higher than in 1985. Nonetheless, owing to the need to maximize cash exports, coal exports should be maintained at a level of at least 30 million tons to the year 1990, along with copper at 200,000-210,000 tons and sulfur at about 3 million tons.

Hence, after 1985 the rise in exports will have to be achieved almost entirely through the development of products of processing industry. To this end there should be basic activation of exports of goods envisioned for export specialization and also of exports of construction services and technical know-how. Any broader approach by our processing industry onto the world markets will be hampered in the 1980's by the recession in world trade anticipated in most foreign trade development forecasts being developed in various international centers and countries.

Regardless of the increase in exports, because of growing needs to repay (service) foreign debts following the year 1985, work for a positive trade balance will require a far slower rise in imports.

The possibilities of increasing imports in constant prices between 1982 and 1990 are estimated at between 19 and 29 percent, which averages 2-3 percent per year. This means that the import growth rate should be one-third the export growth rate. Therefore we should count on very severe import restrictions throughout the decade. The import-intensiveness of our industrial production should hence decline by about 10 percent to the year 1990 compared to 1982.

In this situation there will be efforts to bring about radical changes in the structure of imports and above all to become free of burdensome grain imports, which can then be replaced by imports of raw and other materials for industry. It is desirable as quickly as possible -- no later than 1985 in any event -- to balance turnovers with capitalist countries with farm products and raw materials for their production.

In imports from the socialist countries we must count on a decline in domestic investments and therefore a lower demand for machinery imports, as well as difficulty in obtaining greater raw materials imports from these countries, a factor which will weaken the growth rate of imports. The development of mutual turnovers and the attainment of great benefits from an international division of labor will therefore require basic progress in industrial coproduction and production specialization among the CEMA countries.

The essential imports of machinery and equipment for investment needs from the socialist countries in 1990 is estimated at only about 10 percent higher than the 1982 level for total investment sizes and a further approximate 10 percent for substitutions to replace machinery imports from the capitalist countries.

The foreign trade situation is complicated by the projected rise in world prices. We should count on worsening "terms of trade", the ratio of export and import prices, in turnovers with both the socialist and capitalist countries.

In this situation it will also be necessary to conduct a consistent policy of improving the standard and quality of the goods we export, and this means giving producers, the foreign trade apparatus, and research and development people concrete measurable targets in this area.

#### Scientific and Technical Policy

It is not possible to accomplish the plan's tasks in the 3-year period, let alone accelerate the activation of the economy, without decisive improvement in the work of scientific and technical support facilities, especially in the realm of inculcation of innovations and using science and technology as motivating forces for getting out of the crisis.

The most urgent questions and tasks which the economic staff is directing to the scientific-technical community simply come from goals with priority and directions included in the targets of the three-year plan. They pertain to the following problems:

- 1) How to provide for the nation to be fed, to obtain farm production growth to that level which will make the country independent of grain and fodder imports. In order to achieve this very difficult, strategically important goal, it is necessary to implement and broadly popularize completely new achievements in the agricultural sciences, which in many leading countries have led to tremendous progress in agriculture, particularly in the realm of stepping up crop production. One of the most urgent tasks of our scientific centers and agrotechnical services is the development and rapid spread of newly developed high-output varieties of grains, potatoes, sugar beets, and effective high-protein fodder crops. On the basis of the most modern achievements of science and technology we must provide solutions for the technical and organizational issues related

to the storage and transportation of farm products and find ways to minimize the losses incurred. The possibilities for improvement in this area are very broad, and the current storage and transport losses only make an already difficult food situation still worse. There is also an urgent need and real opportunity for a substantial increase in labor productivity in agriculture as the result of inculcations of innovations in the agrotechnical realm. The way to do this leads, among other things, to the utilization, popularization, and strict following of the scientifically-developed methods, instructions, and recommendations concerning the highly effective application of fertilizers, pesticides, and so on, to obtain the greatest increase in crops under concrete soil and weather conditions and to avoid or minimize the losses caused by plant pests and diseases.

This problem can only be resolved in close active cooperation between the farmers and the scientists and agronomists. There is also room for young agricultural innovators, both among the agronomists and among the farmers.

Scientific contributions should be the basis for rationalizing the operational processes in agriculture, with the aim of making better use of available machine and vehicle time and of eliminating large losses occurring in this area.

2. How to achieve the highest possible level of satisfaction of the society's housing needs.

About 30 percent of investment outlays (even 35 percent in one of the variants) will be allocated for housing construction. Given the established size of investment outlays, the largest number of apartments will go to the society, because the cost of building an apartment will be greatly reduced. Because the first experience of this year shows that the cost of housing construction is increasing, the solution to the housing problem means it is extremely urgent that we find ways to reduce costs and thereby to turn over a larger number of completed apartments for use. This is a task which cannot be accomplished without the broad inculcation of technical and organizational progress in housing construction.

The housing problem is of such great social importance that we can expect exceptional activity and the focusing of efforts by scientific-technical support establishments in all essential, effective directions for modernizing housing construction, those leading to a decline in the material-, labor, and energy-intensiveness of housing construction, or the creation of new effective organizational structures and an effective self-financing system.

In order to obtain the needed decline in costs, scientists and engineers from construction institutes must develop and inculcate on a massive scale entirely new building materials which are cheaper to produce, transport, and use in construction, along with new housing construction methods too.

Both the scientific-technical and management innovations in the construction industry and new design, technological, and materials solutions introduced must take into account the differences in the conditions for carrying out the housing construction program in the large and small towns and in the rural areas, as well as the need to create a modern housing environment in urban and rural areas.

Out of this come tasks for both the scientific-technical communities in the construction industry and the architects, city planners, and regional planning specialists.

Very great possibilities for reducing housing construction costs may be gained through the attainment of rational use of machine, equipment, and vehicle time in construction by using scientific methods.

3. How to manage electric power and raw and other materials in order to reduce the existing shortages and achieve the greatest economic effects.

Because the plan's projected increase in industrial production may amount to about 40 percent in 1990 but anticipated deliveries of major raw and other materials can increase by only about 19 percent during this period, the severe shortage of fuels, electric power, and raw and other materials will force us to find thrifty methods and ways to utilize them so that by introducing progressive technologies and the adoption of nonmaterial-intensive and nonenergy-intensive technologies we can achieve the plan's projected production effect with far lower consumption of power and raw and other materials. The possibilities for thrift and the more effective utilization of the base of raw materials, fuels, other materials, and power exist in all areas and branches of the economy. Broad application of innovation in this realm is one of the most urgent tasks of the scientific-technical support facilities. For example, great potential possibilities of making thrifty use of fuels should result from the development and implementation of such undertakings as the construction of new, more efficient boilers adapted to domestic types of fuels, the development of new diesel engines for private automobiles with lower fuel consumption, the design and mobilization of production of high-compression engines for highway vehicles and working machinery, and so on. The design and introduction of a new generation of engines for electric traction will provide great energy savings.

The elaboration and introduction of technologies with little or no waste will lead to the complex management of raw materials and at the same time to protection of the natural environment. In a number of instances and in various branches of the economy, the use of domestic substitutes can provide an answer to difficulties in supplying production with imported raw materials.

4. How to modernize the organization of the transport system.



The plan's requirements in the realm of upgrading the effectiveness of economic processes and savings of fuels, power, and raw and other materials charge the transport system with the task of optimizing transport operations and of limiting them to economically justified sizes. Under the conditions of the implementation of plan tasks, given the reduced investment resources, the efforts of the transportation sector's scientific and technical support staff should aim at the achievement of additional effects in transport mainly through the inculcation of management innovations, especially the minimization of distances and costs of transport and decisive improvement in the utilization of operation time on fully effective vehicles, time which is presently being wasted owing to faulty organization.

Efforts in the sphere of scientific and technical policy should insure the utilization of scientific and technical ideas to rationalize economic activity and so guide the work of scientific and technical support staff that society will be able to notice an acceleration of the process whereby we are overcoming the country's current economic difficulties.

### III. Mechanisms and Instruments of Implementation

The implementation of the concept presented for the development of the economy during the period of the three-year plan and throughout the decade of the 1980's will depend to a great extent on the selection and effective application of instruments guiding economic activity as introduced during the course of the economic reform.

The law on socioeconomic planning charges state administrative bodies with the obligation of using the resources provided by law to influence the enterprises and other economic units in order to insure the execution of tasks specified in the socioeconomic plans. This law at the same time states that the joint action of the economic units will be made to coincide with the goals specified in the central and regional plans by means of the following:

- contracts which the state administrative bodies or organizational units designated by them make with elements of the socialized economy, as well as contracts made between enterprises and other economic units,
- the use of economic instruments provided by law, as applied by bodies of the state administration and banks,
- mutual exchange of information during the course of drafting the plans,
- possibility of charging the state enterprises with the obligation of discharging periodic tasks within the realm provided for by the law on state enterprises.

At the time work is begun on the socioeconomic plan for 1983-1985, there should be alongside it intensive preparations for applying the mechanisms provided by law for the implementation of that plan.

In the light of the assessment of the current socioeconomic plan, it is particularly important to mobilize the mechanisms which encourage the enterprises and their staff to utilize production capacity to the greatest extent possible under the existing conditions, to develop habits of effective management, and, especially, to utilize working time and raw and other materials effectively, to expand labor productivity, to step up the implementation of desirable structural changes, and, in particular, to activate export production. It is also necessary to encourage active introduction of technical innovation.

In keeping with the law on socioeconomic planning, the proposals concerning economic instruments applied in order to implement the targets of the plan are developed by the appropriate ministries in keeping with their scope of operation. Work on these proposals will soon begin, in the course of consultation on the targets of the plan, and will be completed during the fourth quarter of this year in the course of the formulation of the plan draft, and at this time the concrete sizes of economic parameters will be determined and provisions concerning tax relief, subsidies, import permits and prohibitions, and assumptions of credit policy and the other means helping in the implementation of the plan will be set.

All opinions and conclusions concerning the assumptions and targets of the three-year plan may be directed to the press, radio, or television (which will hold discussions on this subject), as well as to the Planning Commission of the Council of Ministers (00-507 Warsaw 15), which has created a Coordination Group on Social Consultation.

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